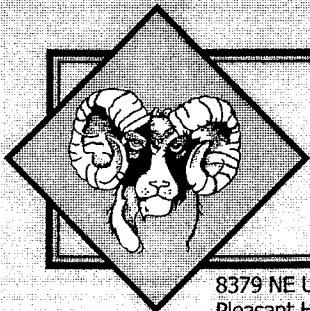


COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2006



Southeast Polk
COMMUNITY SCHOOL DISTRICT

8379 NE University Ave.
Pleasant Hill, IA 50327

515.967.4294
www.se-polk.k12.ia.us

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the**

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

Runnells, Iowa

For the fiscal year ended June 30, 2006

OFFICIAL ISSUING REPORT

Robert M. Hamilton

Director of Finance

OFFICE ISSUING REPORT

Business Office

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
CONTENTS**

INTRODUCTORY SECTION

	<u>Page</u>
Letter of transmittal	1-5
Certificate of Excellence from the Association Of School Business Officials of the United States and Canada	6
Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada	7
Administrative structure	8
Board of Education and School District Administration	9
Consultants and advisors	10

FINANCIAL SECTION

Independent Auditor's Report	11-12
Management Discussion and Analysis (MD&A)	13-22
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	25
Statement of Activities	26
Governmental Fund Financial Statements:	
Balance Sheet	27
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	28
Statement of Revenues, Expenditures and Changes in Fund Balances	29
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	30
Proprietary Fund Financial Statements:	
Statement of Net Assets	31
Statement of Revenues, Expenses and Changes in Net Assets	32
Statement of Cash Flows	33
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	34
Notes to financial statements	35-48
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds	51
Notes to Required Supplementary Information - Budgetary Reporting	52
Other Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	56
Fiduciary Funds:	
Statement of Changes in Fiduciary Assets and Liabilities - Agency Fund	57

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
CONTENTS**

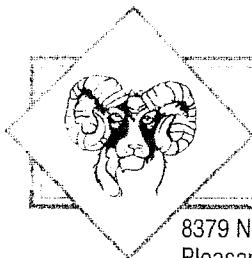
STATISTICAL SECTION

	<u>Page</u>
Net Assets by Component, Last Four Fiscal Years	60
Expenses, Program Revenues and Net (Expense) Revenue, Last Four Fiscal Years	61-62
General Revenues and Total Change in Net Assets, Last Four Fiscal Years	63
Fund Balances, Governmental Funds, Last Ten Fiscal Years	64-65
Governmental Funds Revenues, Last Ten Fiscal Years	66-67
Governmental Funds Expenditures and Debt Service Ratio, Last Ten Fiscal Years	68-69
Other Financing Sources and Uses and Net Change in Fund Balances, Governmental Funds, Last Ten Fiscal Years	70-71
Assessed Value and actual Value of Taxable Property, Last Ten Fiscal Years	72
Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	73
Principal Property Taxpayers, Current Year and Nine Years Ago	74
Property Tax Levies and Collections, Last Ten Fiscal Years	75
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years	77
Outstanding Debt by Type, Last Ten Fiscal Years	78
Direct and Overlapping Governmental Activities Debt, As of June 30, 2006	79
Legal Debt Margin Information, Last Ten Fiscal Years	80-81
Pledged-Revenue Coverage, Last Ten Fiscal Years	82
Demographic and Economic Statistics, Last Ten Calendar Years	83
Principal Employers, Current Year and Nine Years Ago	85
Full-Time Equivalent District Employees By Type, Last Ten Fiscal Years	86-87
Operating Statistics, Last Ten Fiscal Years	88-89
School Building Information, Last Ten Fiscal Years	90-93
Certified Staff Salaries, Last Ten Fiscal Years	94

SINGLE AUDIT SECTION

Schedule of expenditures of federal awards	95-96
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards	97-98
Independent auditor's report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133	99-100
Schedule of findings and questioned costs	101-105

Introductory Section



Southeast Polk

Community School District

8379 NE University Ave.
Pleasant Hill, Iowa 50327

www.se-polk.k12.ia.us

SEP District Office
Thomas J. Downs – Superintendent

Phone: 515.967.4294
Fax: 515.967.4257

December 31, 2006

**Mrs. Katie Temple, President
And Members of the Board of
Education and Citizens of
Southeast Polk Community School District
Runnells, Iowa**

The Comprehensive Annual Financial Report for the Southeast Polk Community School District for the fiscal year ended June 30, 2006 is submitted herewith. Responsibility for the accuracy of data presented and the completeness and fairness of the presentation, including all disclosures, rests with the district finance office. We believe the data is presented in a manner designed to fairly set forth the financial position and results of operations of the district, as measured by the financial activity of the various funds; that all disclosures necessary to enable the reader to gain the maximum understanding of the district's financial activity have been included; and are accurate in all material respects.

The financial statements and schedules presented in this comprehensive annual financial report (CAFR) include all the funds of the District in accordance with standards set by the Governmental Accounting Standards Board (GASB).

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the School Board's organizational chart, a list of the district's consultants and principal officials, a Certificate of Excellence in Financial Reporting from the Association of School Business Officials International and a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada. The financial section includes the independent auditor's report, the basic financial statements, management's discussion and analysis, required supplementary information and other supplementary information. The statistical section includes selected financial and demographic data for up to a ten-year period. The single audit section includes the schedules and various independent auditors' reports required by the Single Audit Amendment of 1996, along with comments required by the Iowa Auditor of State.

The report presents the financial information of the District accurately and concisely. It is designed to be comprehensive, yet easily readable and accessible. The current Comprehensive Annual Financial Report will be submitted to the Association of School business Officials International (ASBO) for review for the ASBO Certificate of Excellence and to the Government Finance Officers Association of the United States and Canada (GFOA) for the GFOA Certificate of Achievement.

This letter of transmittal is designed to compliment the Management's Discussion and Analysis included within the financial section of the CAFR and should be read in conjunction with it.

Basis of Accounting and Accounting System

The Southeast Polk Community School District's accounting records for individual governmental fund types are maintained on a modified accrual basis, with the revenue being accrued when available and measurable. Expenditures are recorded when the services or goods are received and the liabilities are incurred. Accounting records for the district's nutrition and store programs and internal service fund are maintained on the full accrual basis. All the District's funds are presented in this report and have been audited by the district's independent certified public accountants, Nolte, Cornman & Johnson, P. C.

The chart of accounts used by the District is in conformance with the Iowa Department of Education's Uniform Accounting System for Iowa Schools and Area Education Agencies, which was revised and updated as of April 2004, became effective as of July 1, 2004. The chart of accounts manual is updated on an annual basis. The District is in full compliance with these requirements.

In developing and evaluating the accounting system of the school, much consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the internal accounting controls of the school district adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Profile of the Government

The Southeast Polk Community School District was organized in May of 1961. The District is supported financially by state aid, property taxes, state and federal grants for special projects and local revenue received in the form of tuition and other miscellaneous income items. The District is governed by a seven-member board of education. The elections are held annually in September. Two and three positions are up for election on alternate years. All board members are elected at large.

The District provides a full range of educational services for residents of the Southeast Polk School District appropriate to students in early childhood and grades kindergarten through twelve. These services include basic, regular and enriched academic education, special education for handicapped children, vocational education and many individualized programs such as specialized instruction for students at-risk and students whose primary language is not English.

The financial statements include all funds, agencies, boards and commissions. The District has also considered all actual and potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The criteria considered in determining financial accountability include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Southeast Polk Community School District has no component units that meet the Governmental Accounting Standards Board criteria. In addition, the Southeast Polk Community School District is not a component unit of any other entity.

Cash Management

The district invests in only those securities allowed by the Code of Iowa, Chapter 12C. Because of the timing of the state aid payments, a portion of the available cash must be kept in very liquid accounts.

Cash temporarily idle during the year was invested in certificates of deposit representing 1.04 % of all district investments, money market checking accounts equaling 23.21% of all district investments, in the IPASeducation equaling 42.21% of all district investments, and in the Iowa Schools Joint Investment Trust or 33.54% of all district investments. District investments averaged \$13,777,816 monthly and had a 4.41% average return for the FY 2005-06. This rate of return is up from the 2004-05 rate of 1.10%.

The Southeast Polk Community School District invested in the Iowa Schools Joint Investment Trust and IPASeducation diversified portfolio liquid accounts. The Trust and IPASeducation are common law trusts established under Iowa Law pursuant to Chapter 28E and Section 279.29, Iowa Code (1985), as amended which authorized Iowa schools and other government entities to jointly invest monies pursuant to a joint investment agreement. The objective of the liquid account is to maintain a high degree of liquidity and safety of principal through investment in short-term securities as permitted for Iowa schools under Iowa law. Money may be withdrawn at any time.

Risk Management

The district currently covers property, liability, and workers' compensation losses with traditional insurance coverage through the Insurance Management Group Agency and Employers' Mutual Insurance Company.

The group health, prescription drugs, and dental plans are partially self-funded with stop loss policies purchased for both specific and group aggregate limits. First Administrators is the third party administrator for the health and prescription drug insurances. The Iowa Association of School Boards is the third party administrator for the district's dental coverage, which is a part of the Delta Dental Plan network. Employee life insurance and long-term disability insurance are with Iowa Schools Employee Benefits Association.

Budgeting

The District's Board of Education annually adopts a budget and approves the related appropriations for the General, Special Revenue, Debt Service, Capital Projects, Enterprise, and Trust Funds in accordance with provisions outlined in the Statutes of the State of Iowa. The budgets and financial statements for the governmental fund types and the expendable trust fund are prepared on a modified accrual basis, and the budget and financial statements for the Enterprise Fund is prepared on the accrual basis. A statement comparing the original and amended budget to actual revenues and expenditures is included as required supplementary information. The notes to financial statements include a schedule on the aggregate level to demonstrate budgetary legal compliance.

For management control, the budget is reviewed on a line item basis for up to a 10% variance. However, since a budget is a plan, overages on a line item basis are allowed if sufficient funds are available on a major function basis.

Major Initiatives and Achievements

A major event occurred during the 1999-2000 school year that created a tremendous opportunity for the Southeast Polk Community school District. That event was the passage of the Local Option Sales

Tax* referendum by the voters of Polk County on November 23, 1999. This event created a new source of revenue for the school districts in Polk County that will enable the districts affected to move ahead with their respective long-range plans for the improvement of their facilities.

Southeast Polk immediately began to implement its ten-year facility plan with the construction of classroom additions at the Centennial and Four Mile Elementary Schools. These additions brought much needed space to these two locations to accommodate the ever increasing need for classroom space as the district struggles to keep pace with the increasing demands placed on district resources with its rapid and consistent student growth. Both additions were completed in the early fall of 2000 and were immediately put to use once construction was completed. Additionally, a new Runnells Elementary was constructed to replace the original facility during the 2001-02 school year along with a playground addition at the Willowbrook Elementary, the completion of a new warehouse and bus garage facility and the completion of a room addition at Delaware Elementary School. During the 2003-04 budget year construction was completed on an addition at Mitchellville Elementary for a new gym, media center, and new classrooms. In the 2004-05 budget year, construction was completed on the gym, kitchen, and classroom additions at the Four Mile and Centennial Elementary schools.

The district also revised its ten year plan during the 2003-04 school year to adapt to the rapid student growth the district was experiencing. In anticipation of even more rapid future growth the plan was revised again during the 2004-05 school year. The revision of the plan was the result of the efforts of the district's long range planning committee and its facility sub committee. The revised plan included an addition at Altoona Elementary School, which was completed this last spring and a bond referendum for a new high school and new elementary school which was passed on February 28, 2006. The passage of this bond issue was a tremendous show of community support for the school district. The referendum was for 60 million dollars and is the largest school bond issue passed in the State of Iowa's history. In addition to the bond issue projects, construction began on a second addition at Delaware Elementary this last spring and a second addition to Runnells Elementary was begun in late summer.

Economic Condition and Outlook

The over all economic condition for eastern Polk county, where the Southeast Polk Community School District is situated, looks bright.

For the city of Altoona a new railroad spur into an existing cold storage facility will allow the facility to expand another 100,000 square feet for a total of 300,000 square feet. A bio-diesel plant will begin construction this spring which will produce 15 million gallons a year. Additional businesses that have been added are a document shredding company and a data storage center which is in the process of expanding its record storage capacity.

Three new retailing areas have recently been added in Altoona they are: Foxton Village, Altoona Crossing and Old Town South. Additionally two new banks Great Western Bank and Bankers Trust and two new drug stores Walgreens and Medicap have been added to the retailing sector of the Altoona's business community.

Mithellville has a new restaurant and the final stages of planning for the construction of a new 100 million gallon per year ethanol plant are almost complete.

*Local Option Sales Tax –Established during the 1998 legislature, this tax could be voted upon by the residents of each county in the state in order to levy an additional one-cent sales tax on specific goods and services. The revenues must then be used exclusively for infrastructure needs of the school districts within the county passing the tax to include: paying off long term debt, new construction, equipment, reconstruction and repair and remodeling.

Pleasant Hill has a new extended stay hotel and Mercy Medical Clinic is expanding and a truck scale calibration firm is constructing a new facility in the industrial park. Also, a new bowling alley and a new strip mall are currently under construction. Also a new independent and assisted living facility for retirees was recently completed and is called "The Shores".

The school district's FY 2006-07 financial condition appears to be good. Regular program basic enrollment grew by 215.6 students and the district's cost per pupil grew by \$197. As a result of these two positive events, the district's regular program budget has grown \$2,103,835 or an increase of 8.42% for the 2006-07 school year. The total certified basic enrollment for the 2006-07 school year is 5,282.8 students. Considering that a large majority of the State's districts did not grow, our circumstances are far better than most.

As in the 2005-06 school year, the School District must operate in the most efficient manner during 2006-07 budget year to help ensure adequate funding for staff, services and supplies for the 2007-08 school year.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting and the Association of School Business Officials International (ASBO) awarded a Certificate of Excellence to the District for their comprehensive annual financial report for the fiscal year ended June 30, 2005. This is the fifth year that the District has received these prestigious awards. In order to be awarded these Certificates, the District must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. These certificates are valid for a period of one year only. We believe our current report continues to conform to these Certificates of Achievement Programs' requirements and are submitting it to GFOA and ASBO to determine its eligibility for another certificate from both organizations.

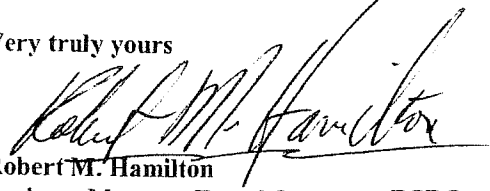
Other Matters


Also included in this report is a statistical section, which will give the reader a better understanding of the school system with background and additional financial data.

We wish to take this opportunity to thank the administrative office staff that assisted in obtaining and organizing data, the County Auditor and Treasurer offices and the city and town officials who provided much needed information. Without all of the above groups' efforts, the report could not have been completed.

In summary, we hope that this comprehensive annual financial report will give the public we serve a better understanding of our financial condition.

Very truly yours


Robert M. Hamilton
Business Manager/Board Secretary RSBO


Thomas J. Downs
Superintendent of Schools

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2005

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Southeast Polk
Community School District,
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Fudge

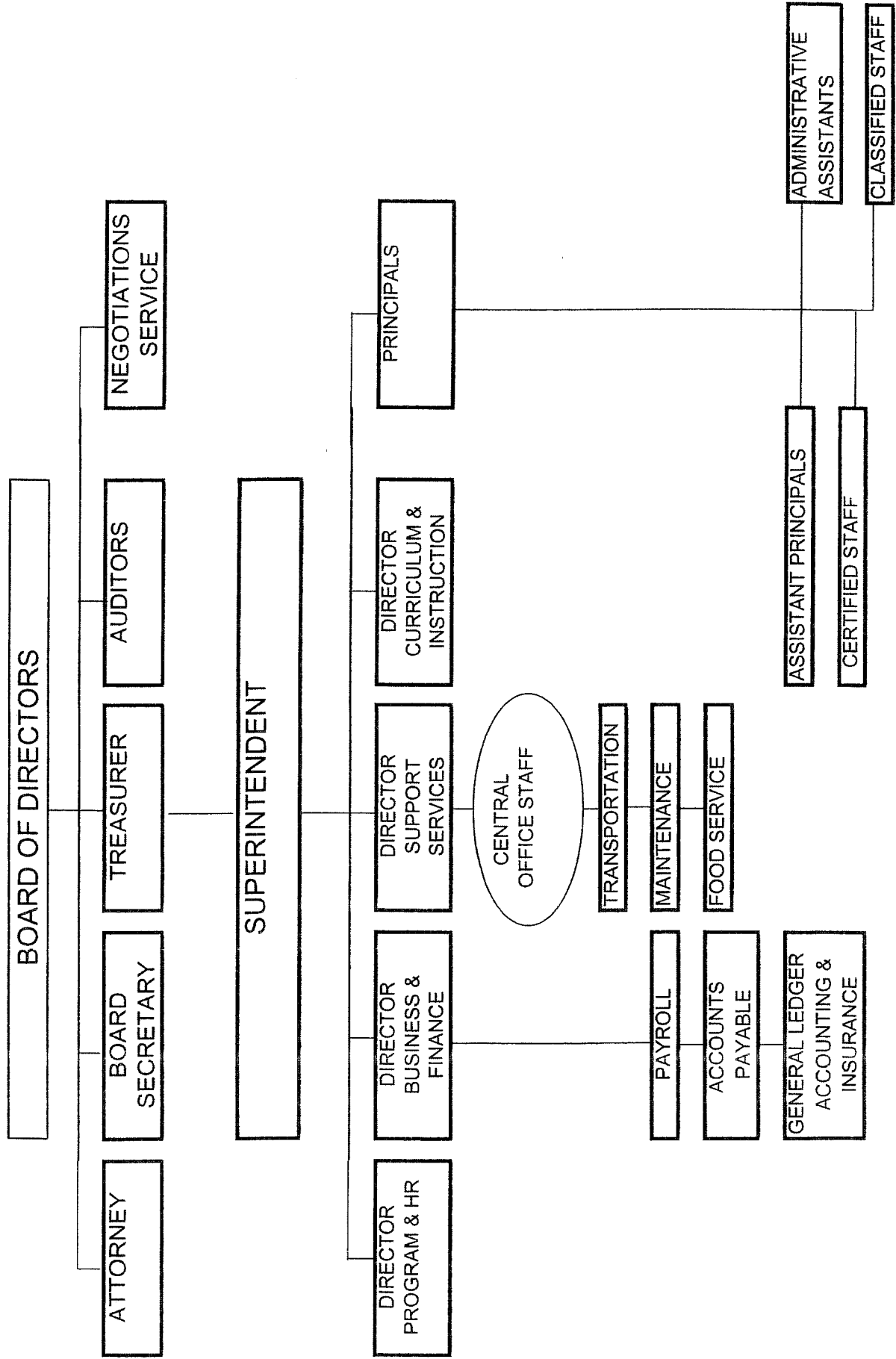
President

Jeffrey R. Emer

Executive Director

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

ADMINISTRATIVE STRUCTURE



SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

BOARD OF EDUCATION AND SCHOOL DISTRICT ADMINISTRATION

Year Ended June 30, 2006

Board of Education

	<u>Title</u>	<u>Term/Contract Expires</u>
Before September, 2005 Election		
Jack Scrignoli	President	September, 2005
Brad Skinner	Vice President	September, 2005
Steve Hanson	Member	September, 2005
Doug Workman	Member	September, 2006
Gwen Seward Lewis	Member	September, 2006
Katie Temple	Member	September, 2007
Pat Staggs	Member	September, 2007
After September, 2005 Election		
Brad Skinner	President	September, 2008
Gwen Seward Lewis	Vice President	September, 2006
Doug Workman	Member	September, 2006
Katie Temple	Member	September, 2007
Pat Staggs	Member	September, 2007
Steve Hanson	Member	September, 2008
Andrew McCrean	Member	September, 2008

School District Administration

Thomas Downs	Superintendent	July, 2006
Dan Janssen	Director of Support Services	July, 2006
Dr. Stephen N. Miller	Director of Programs/Human Resources	July, 2006
Dr. Kristine Condon	Director of Curriculum/Instruction	July, 2006
R. Michael Hamilton	Board Secretary/Business Manager	July, 2006
Earl Freel	Treasurer	July, 2006
Marti Kline	Community Relations	July, 2006
Steve Oberto	Classified Personnel	July, 2006
Steve Stotts	Principal	July, 2006
Sharon Cummings	Principal	July, 2006
Steve Bass	Principal	July, 2006
Steve Flynn	Principal	July, 2006
Connie Hewitt	Principal	July, 2006
Kevin Walker	Principal	July, 2006
Dennis O'Lear	Principal	July, 2006
Robin Norris	Principal	July, 2006
Glen Dietzenbach	Principal	July, 2006
Lea Morris	Principal	July, 2006
Joseph Horton	Principal	July, 2006
Chuck Bredlow	Principal	July, 2006
Bill Henkenius	Principal	July, 2006
Stephen Pettitt	Assistant Principal	July, 2006
John Steffen	Assistant Principal	July, 2006

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

**CONSULTANTS AND ADVISORS
Year Ended June 30, 2006**

CERTIFIED PUBLIC ACCOUNTANTS

Nolte, Cornman & Johnson, P.C.
117 W 3rd St. N
Newton, IA 50208

BOND ATTORNEYS

Ahlers & Cooney, P.C.
100 Court Avenue, Suite 600
Des Moines, IA 50309-2231

FINANCIAL CONSULTANTS

Ruan Securities Corporation
604 Locust Street, Suite 317
Des Moines, IA 50309-3869

GENERAL COUNSEL

Ahlers & Cooney, P.C.
100 Court Avenue, Suite 600
Des Moines, IA 50309-2231

INSURANCE CONSULTANTS

Insurance Management Group
P.O. Box 517
Altoona, IA 50009

OFFICIAL DEPOSITORIES

US Bank
111 8th St. SE
Altoona, IA 50009

Bank Iowa
420 8th St. SE
Altoona, IA 50009

Wells Fargo Bank Iowa
1055 NE 56th St.
Pleasant Hill, IA 50327

Community State Bank
200 8th St. SE
Altoona, IA 50009

Legacy Bank
215 E Center St.
Altoona, IA 50009

Deere Community Credit Union
1601 22nd St., #400
West Des Moines, IA 50266

Financial Section

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Southeast Polk Community School District
Runnells, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Southeast Polk Community School District, Runnells, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Southeast Polk Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2006 on our consideration of the Southeast Polk Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 13 through 22 and 51 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund financial statements and schedules, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, listed in the table of contents under the single audit section, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Southeast Polk Community School District. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying statistical section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.


Nolte, Cornman & Johnson, P.C.

Newton, Iowa
October 20, 2006

Southeast Polk Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

It is an honor to present to you the financial picture of Southeast Polk Community School District. We offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Southeast Polk Community School District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

FINANCIAL HIGHLIGHTS

The District showed an increase in net assets of \$3,115,294 during the year ended June 30, 2006.

Total revenues for the fiscal year ended June 30, 2006 of \$51,076,839 were comprised of General Revenues in the amount of \$41,060,448 and Program Revenues totaling \$10,016,391.

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$53,826,514, an increase of \$48,618,273 compared to the prior year.

As of June 30, 2006, unreserved undesignated fund balance for the General Fund was a negative \$120,515 or -.30% of total General Fund expenditures.

The Southeast Polk Community School District's total long-term bonded debt increased by \$52,035,000 during fiscal year ended June 30, 2006. The increase was due to the net of scheduled debt payments and the issuance of general obligation bonds and revenue bonds.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Southeast Polk Community School District's basic financial statements. The District's basic financial statements comprise three components:

1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of Southeast Polk Community School District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of Southeast Polk Community School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Southeast Polk Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Both of the government-wide financial statements reflect functions of the Southeast Polk Community School District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional programs, other and interest on long-term debt. Business-type activities are those that the District charges a fee to help cover the costs, such as School Nutrition and School Store operations.

The government-wide financial statements include only the Southeast Polk Community School District. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the District.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Southeast Polk Community School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Southeast Polk Community School District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Capital Projects Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 27 through 29 of this report.

Southeast Polk Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Proprietary funds - The District maintains two types of proprietary funds: enterprise and internal service. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District maintains two enterprise funds. Internal service funds are used to report the same functions presented as governmental activities in the government-wide financial statements. The District maintains two internal service funds to account for the premium and claim payments for the self-insured health insurance plan for District employees and to account for employee contributions to their individual flex accounts under Section 125 of the Internal Revenue Code. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. Because the service provided by the District predominately benefits governmental, rather than business-type functions, it has been included within governmental activities in the government-wide financial Statements.

The basic proprietary fund financial statements can be found on pages 31 through 33 of this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Southeast Polk Community School District's own programs. The fiduciary fund of the District is an agency fund. Agency funds are custodial in nature and do not involve measurement of results of operation.

The basic fiduciary fund financial statements can be found on page 34 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Southeast Polk Community School District's budgetary comparison. Required supplementary information can be found on pages 51 and 52 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's total net assets have increased from a year ago from \$29,103,797 to \$32,247,807.

A significant portion of the District's total assets reflects its investment in capital assets. The District uses these capital assets to provide educational services; consequently, these assets are not available for future spending. The District's net assets invested in capital assets, net of related debt, was \$31,866,073. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Southeast Polk Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Table 1
Condensed Statement of Net Assets

	Governmental		Business-Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Assets							
Current and other assets	\$ 79,821,416	\$ 26,384,322	\$ 673,045	\$ 763,142	\$ 80,494,461	\$ 27,147,464	196.51%
Capital assets	42,504,233	35,117,387	672,679	540,834	43,176,912	35,658,221	21.09%
Total assets	122,325,649	61,501,709	1,345,724	1,303,976	123,671,373	62,805,685	96.91%
Liabilities							
Long-term obligations	65,067,541	12,883,897	-	-	65,067,541	12,883,897	405.03%
Other liabilities	25,010,301	19,514,015	141,357	70,893	25,151,658	19,584,908	28.42%
Total liabilities	90,077,842	32,397,912	141,357	70,893	90,219,199	32,468,805	177.86%
Net Assets							
Invested in capital assets, net of related debt	30,566,073	22,984,041	672,679	540,834	31,238,752	23,524,875	32.79%
Restricted	772,049	4,436,950	-	-	772,049	4,436,950	-82.60%
Unrestricted	909,685	1,682,806	531,688	692,249	1,441,373	2,375,055	-39.31%
Total net assets	\$ 32,247,807	\$ 29,103,797	\$ 1,204,367	\$ 1,233,083	\$ 33,452,174	\$ 30,336,880	10.27%

The restricted portion of the District's net assets (2.31%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1,441,373 may be used to meet the government's ongoing obligations to students and creditors.

At the end of the current fiscal year, the Southeast Polk Community School District is not able to report positive balances in all three categories of net assets. The categories in the prior fiscal year were also all positive balances.

The District's total net assets increased by \$3,115,294 during the current fiscal year. The governmental activities' net assets increased by \$3,144,010. The business-type activities, which include nutrition and school store, decreased by \$28,716. The increase in governmental activities was mainly attributable to more than expected budgeted expenditures, which were offset by increased revenues and capitalization of construction in progress. The decrease in business-type activities was mainly attributable to increased costs of doing business.

Table 2 highlights the District's revenues and expenses for the fiscal year ended June 30, 2006. These two main components are subtracted to yield the change in net assets. This table utilizes the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenue and General Revenue. Program Revenue is defined as charges for services and sales and operating grants, contributions and restricted interest. General Revenue includes taxes, unrestricted grants such as state foundation support, unrestricted investment earnings, sale of equipment and cost of ban issuance.

Southeast Polk Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Expenses are shown in programs including instruction, support services, non-instructional programs, other and interest on long-term debt.

The following table shows changes in net assets for the year ended June 30, 2006.

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 3,380,768	\$ 2,758,442	\$ 1,864,376	\$ 1,795,700	\$ 5,245,144	\$ 4,554,142	15.17%
Operating grants and contributions and restricted interest	4,063,657	3,654,335	617,393	587,435	4,681,050	4,241,770	10.36%
Capital grants and contributions and restricted interest	90,197	202,595	-	-	90,197	202,595	-55.48%
General Revenue:							
Property taxes and other taxes	20,601,025	18,406,496	-	-	20,601,025	18,406,496	11.92%
State sources	20,181,425	18,427,583	-	-	20,181,425	18,427,583	9.52%
Investment earnings	266,950	136,707	11,048	6,731	277,998	143,438	93.81%
Other	-	(33,884)	-	-	-	(33,884)	100.00%
Total revenues	48,584,022	43,552,274	2,492,817	2,389,866	51,076,839	45,942,140	11.18%
Program expenses:							
Instruction	26,044,931	25,683,516	-	-	26,044,931	25,683,516	1.41%
Support services	16,141,741	12,719,780	-	-	16,141,741	12,719,780	26.90%
Noninstructional programs	-	-	2,680,031	2,359,644	2,680,031	2,359,644	13.58%
Other	3,253,340	3,392,370	-	-	3,253,340	3,392,370	-4.10%
Total expenses	45,440,012	41,795,666	2,680,031	2,359,644	48,120,043	44,155,310	8.98%
Changes in net assets before capital contributions	3,144,010	1,756,608	(187,214)	30,222	2,956,796	1,786,830	65.48%
Capital contributions	-	-	158,498	269,985	158,498	269,985	-41.29%
Changes in net assets	3,144,010	1,756,608	(28,716)	300,207	3,115,294	2,056,815	51.46%
Beginning net assets	29,103,797	27,347,189	1,233,083	932,876	30,336,880	28,280,065	7.27%
Ending net assets	\$ 32,247,807	\$ 29,103,797	\$ 1,204,367	\$ 1,233,083	\$ 33,452,174	\$ 30,336,880	10.27%

Total revenues increased primarily due to an increase in state aid of \$1,753,842 in the State of Iowa's Foundation Formula which is based on the cost per pupil times the number of pupils counted on the third Friday in September and increases in state grants for teacher quality improvement.

Additionally interest income increased by \$134,560 due to better rates of return on investments.

Revenues increased in spite of decreases in federal revenues totaling \$15,286. Total expenses increased due to additional students and construction costs.

Southeast Polk Community School District

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006**

Table 3 below discloses cost of services for governmental and business-type activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs are costs that must be covered by state aid or local taxes.

The difference in these two columns would represent restricted grants and charges for services.

**Table 3
Total and Net Cost of Governmental Activities**

	Total Cost of Services 2004	Net Cost of Services 2004
Instruction	\$ 26,044,931	\$ 20,141,221
Support Services	16,141,741	15,982,093
Other	3,253,340	1,782,076
Totals	<u>\$ 45,440,012</u>	<u>\$ 37,905,390</u>

Net cost of services is 83.42% of total cost of services in 2006.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Southeast Polk Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - The focus of the Southeast Polk Community School District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements, in particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Southeast Polk Community School District's governmental funds reported combined ending fund balances of \$53,826,514 an increase of \$48,618,273 in comparison with the prior year. Approximately 99.83% of this total amount, \$53,736,748 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for 1) Phase III \$3,779; 2) Teacher Compensation of \$22,020; 3) Talented and Gifted of \$37,404; 4) Early Intervention of \$6,919; 5) Debt Service \$19,644.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was a deficit \$120,515 while total fund balance was a deficit \$50,393. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately -.30% of total General Fund expenditures, while total fund balance also represents approximately -.13% of total General Fund expenditures, respectively.

The fund balance of the District's General Fund decreased by \$201,477 during the current fiscal year. Key factors in this decrease are as follows:

The use of a cash reserves to cover the costs of additional students that arrived last fall. The State of Iowa allows districts to request spending authority to fund the costs of increased enrollment through a formula. The formula is the state average cost per pupil times the increased enrollment for the current school year. The formula allows you to spend for the new students but does not fund it

Southeast Polk Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

except by the district using its current reserves. The growing district is then able to recoup the costs for the new students in the following budget year by use of a cash reserve levy equal to the formula amount the district spent in the previous budget for the new students.

The fund balance of the District's Capital Projects Fund increased by \$48,663,399 during the current fiscal year. A key factor in this increase is due to the issuance of general obligation bonds and revenue bonds.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on page 51.

LEGAL BUDGETARY HIGHLIGHTS

The District's total actual revenues were \$117,922 more than the total budgeted revenues, a variance of .23%. The most significant change resulted in the District receiving more in various components of local and intermediate sources than originally anticipated.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services, non-instruction programs and other expenditures functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

Southeast Polk Community School District

Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2006

CAPITAL ASSETS ADMINISTRATION

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$43,176,912 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment.

Table 4
Capital Assets as of June 30, 2006 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 1,511,860	\$ 845,200	\$ -	\$ -	\$ 1,511,860	\$ 845,200	78.88%
Construction in progress	2,261,498	6,041,828	-	-	2,261,498	6,041,828	100.00%
Land improvements	1,815,754	1,946,282	-	-	1,815,754	1,946,282	-6.71%
Buildings and improvements	33,827,742	23,645,579	-	-	33,827,742	23,645,579	43.06%
Machinery and equipment	3,087,379	2,638,498	672,679	540,834	3,760,058	3,179,332	18.27%
Totals	\$ 42,504,233	\$ 35,117,387	\$ 672,679	\$ 540,834	\$ 43,176,912	\$ 35,658,221	21.09%

Detailed information regarding capital assets activity can be found in Note 5 of the notes to the basic financial statements.

LONG-TERM DEBT ADMINISTRATION

At the end of June 30, 2006, the District had total long-term debt of \$65,067,541, an increase of \$52,183,644 from the prior fiscal year. Of this amount, \$10,171,259 is due within one year. Detailed information regarding the District's long-term debt can be found in Note 7 of the notes to the basic financial statements.

During the fiscal year ended June 30, 2006, the District issued general obligation bonds of \$47,500,000 for the construction of capital facilities.

During the fiscal year ended June 30, 2006, the District issued revenue bonds of \$9,000,000 for the construction of capital facilities.

Table 5
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2006	2005	2005-06
G.O. bonds	\$ 49,430,000	\$ 2,845,000	1637.43%
Revenue bans	6,075,000	8,875,000	-31.55%
Revenue bonds	8,250,000	-	100.00%
Capital loan notes	405,000	500,000	-19.00%
Early retirement	769,826	534,298	44.08%
Compensated absences	137,715	129,599	6.26%
Totals	\$ 65,067,541	\$ 12,883,897	405.03%

Southeast Polk Community School District

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is located in the central part of the state, within the larger Des Moines metropolitan area and ranks as one of the top growth areas of the country.

The State of Iowa had faced an economic downturn that had severely hampered its ability to fund schools at the same level in prior years. However this situation was exacerbated when the Iowa legislature consistently and persistently gave tax breaks to special interest groups. These breaks also include an income tax break that actually came out of state reserves in FY 1996 and is now an ongoing tax break for the citizens of Iowa.

As popular as these breaks may be with the legislators, the wisdom of simply giving breaks to particular industries or special interest groups in hopes of improving economic development in this state are dubious at best. A federal study has already concluded that tax breaks simply do not sustain themselves in terms of increased economic activity that is supposed to increase tax revenue to the government that granted the break in the first place!

The State of Iowa had faced an economic downturn that had severely hampered its ability to fund schools at the same level in prior years however this last year has seen a modest upturn in economic activity. The district received a 4% increase in the state's cost per pupil for its General Fund formula. This increase made it much easier to fund school district activities however the budget is still going to be stretched in order to execute all programs in the budget for the FY 2006-07 school year.

The result of Iowa Legislature's tax breaks has been two fold. First, it has had the effect of artificially reducing the rate of growth in state revenues. The second effect has been the State's inability to properly fund education over the past 10 years.

Iowa's K-12 schools have suffered with the lowest increases in the State's recent history as evidenced by the following increases in state aid for the following years:

FY 2002-03 - 1%*
FY 2003-04 - 2%
FY 2004-05 - 2%
FY 2005-06 - 4%
FY 2006-07 - 4%

* State aid mid year budget cut resulted in a net increase of 1%.

The above increases have caused growing districts like ours to operate in basically a deficit mode. Settlements with our labor unions have averaged over 4.7%. The increases of the years FY 2002-03 to FY 2004-05 have been devastating to General Fund reserves and budget carryover**. Our budget carryover dropped from \$1.83 million at the end of FY 2002 to \$800,000 at end of FY 2005.

An additional fact needs to be emphasized in order to fully understand the situation that school districts have had to deal with these past ten years. The average state aid increase for the years listed above was 2.6%. The six year average percent increase for tax cuts given from FY 96 to FY 02 was 42.7% and totaled 3.7 billion dollars. These excessive cuts occurred just before the economy took a bad turn during the FY 2002-03 budget year. By giving away these massive amounts of dollars to special interests, the State of Iowa essentially left itself totally unprepared for the economic downturn that followed and thus forced school districts to unnecessarily endure a financial crisis of the Iowa State Legislature's own making.

** Budget Carryover or remaining amount of Spending Authority equals Spending Authority minus Actual Expenditures. Spending Authority is the total amount a school district can legally spend during a fiscal or school year.

REQUESTS FOR INFORMATION

These financial Statements and discussions are designed to provide our students, citizens, taxpayers, investors and creditors with a complete disclosure of the District's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, please write Mr. Robert M. Hamilton, Board Secretary/Business Manager, Southeast Polk Community School District, 8379 N.E. University, Runnells, Iowa, 50265-5556.

BASIC FINANCIAL STATEMENTS

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SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 57,477,391	632,317	58,109,708
Receivables:			
Property tax:			
Delinquent	154,662	0	154,662
Succeeding year	19,573,640	0	19,573,640
Income surtax	829,611	0	829,611
Interfund	85,464	0	85,464
Accounts	54,458	0	54,458
Due from other governments	1,506,374	0	1,506,374
Inventories	139,816	40,728	180,544
Capital assets, net of accumulated depreciation(note 5):			
Land	1,511,860	0	1,511,860
Construction in progress	2,261,498	0	2,261,498
Land improvements	1,815,754	0	1,815,754
Buildings and building improvements	33,827,742	0	33,827,742
Machinery and equipment	3,087,379	672,679	3,760,058
TOTAL ASSETS	122,325,649	1,345,724	123,671,373
LIABILITIES			
Interfund payable	0	85,464	85,464
Accounts payable	609,535	9,130	618,665
Salaries and benefits payable	3,801,834	21,741	3,823,575
Incurred but not reported claims	552,662	0	552,662
Accrued interest payable	464,347	0	464,347
Deferred revenue:			
Succeeding year property tax	19,573,640	0	19,573,640
Other	8,283	0	8,283
Unearned revenue	0	25,022	25,022
Long-term liabilities(note 7):			
Portion due within one year:			
G.O. bonds payable	2,375,000	0	2,375,000
Revenue bonds payable	6,075,000	0	6,075,000
Revenue bonds payable	1,300,000	0	1,300,000
Capital loan note payable	100,000	0	100,000
Compensated absences payable	137,715	0	137,715
Early retirement payable	183,544	0	183,544
Portion due after one year:			
G.O. bonds payable	47,055,000	0	47,055,000
Revenue bonds payable	6,950,000	0	6,950,000
Capital loan note payable	305,000	0	305,000
Early retirement payable	586,282	0	586,282
TOTAL LIABILITIES	90,077,842	141,357	90,219,199
NET ASSETS			
Invested in capital assets, net of related debt	30,566,073	672,679	31,238,752
Restricted for:			
Teacher compensation	22,020	0	22,020
Early intervention	6,919	0	6,919
Talented and gifted	37,404	0	37,404
Phase III	3,779	0	3,779
Other special revenue purposes	701,927	0	701,927
Unrestricted	909,685	531,688	1,441,373
TOTAL NET ASSETS	\$ 32,247,807	1,204,367	33,452,174

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 16,496,459	1,023,293	2,287,680	0	(13,185,486)	0
Special instruction	6,119,827	481,720	254,272	0	(5,383,835)	0
Other instruction	3,428,645	1,856,745	0	0	(1,571,900)	0
	<u>26,044,931</u>	<u>3,361,758</u>	<u>2,541,952</u>	<u>0</u>	<u>(20,141,221)</u>	<u>0</u>
Support services:						
Student services	1,919,677	0	0	0	(1,919,677)	0
Instructional staff services	1,631,508	0	0	0	(1,631,508)	0
Administration services	6,200,028	0	0	0	(6,200,028)	0
Operation and maintenance of plant services	4,271,418	0	0	90,197	(4,181,221)	0
Transportation services	2,119,110	19,010	50,441	0	(2,049,659)	0
	<u>16,141,741</u>	<u>19,010</u>	<u>50,441</u>	<u>90,197</u>	<u>(15,982,093)</u>	<u>0</u>
Other expenses:						
Long-term debt interest	803,749	0	0	0	(803,749)	0
AEA flowthrough	1,471,264	0	1,471,264	0	0	0
Depreciation(unallocated)*	978,327	0	0	0	(978,327)	0
	<u>3,253,340</u>	<u>0</u>	<u>1,471,264</u>	<u>0</u>	<u>(1,782,076)</u>	<u>0</u>
Total governmental activities	45,440,012	3,380,768	4,063,657	90,197	(37,905,390)	0
Business-Type activities:						
Non-instructional programs:						
Nutrition services	2,364,017	1,507,534	617,393	0	0	(239,090)
School store services	316,014	356,842	0	0	0	40,828
Total business-type activities	2,680,031	1,864,376	617,393	0	0	(198,262)
Total	\$ 48,120,043	5,245,144	4,681,050	90,197	(37,905,390)	(198,262)
General Revenues:						
Property tax levied for:						
General purposes					\$ 13,828,654	0
Debt service					1,010,136	0
Capital outlay					983,550	0
Local option sales and service tax					4,778,685	0
Unrestricted state grants					20,181,425	0
Unrestricted investment earnings					266,950	11,048
Total general revenues					<u>41,049,400</u>	<u>11,048</u>
Changes in net assets before capital contributions					<u>3,144,010</u>	<u>(187,214)</u>
Capital contributions					<u>0</u>	<u>158,498</u>
Changes in net assets					<u>3,144,010</u>	<u>(28,716)</u>
Net assets beginning of year					<u>29,103,797</u>	<u>1,233,083</u>
Net assets end of year					<u>\$ 32,247,807</u>	<u>1,204,367</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 2,280,700	51,782,251	1,519,433	55,582,384
Receivables:				
Property tax	126,581	0	28,081	154,662
Delinquent	13,101,081	0	6,472,559	19,573,640
Succeeding year	829,611	0	0	829,611
Income surtax	915,969	490,596	9,594	1,416,159
Interfund	18,079	0	0	18,079
Accounts	853,260	653,114	0	1,506,374
Due from other governments	139,816	0	0	139,816
Inventories				
TOTAL ASSETS	\$ 18,265,097	52,925,961	8,029,667	79,220,725
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 39,811	445,742	85,755	571,308
Accounts payable	535,225	24,492	49,818	609,535
Salaries and benefits payable	3,801,479	0	355	3,801,834
Deferred revenue:				
Succeeding year property tax	13,101,081	0	6,472,559	19,573,640
Income surtax	829,611	0	0	829,611
Other	8,283	0	0	8,283
Total liabilities	18,315,490	470,234	6,608,487	25,394,211
Fund balances:				
Reserved for:				
Teacher compensation	22,020	0	0	22,020
Early intervention	6,919	0	0	6,919
Talented and gifted	37,404	0	0	37,404
Phase III	3,779	0	0	3,779
Debt service	0	180,000	19,644	199,644
Unreserved:				
Undesignated:				
General	(120,515)	0	0	(120,515)
Capital projects	0	52,275,727	0	52,275,727
Nonmajor special revenue funds	0	0	1,401,536	1,401,536
Total fund balances	(50,393)	52,455,727	1,421,180	53,826,514
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,265,097	52,925,961	8,029,667	79,220,725

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2006

Total fund balances of governmental funds(page 27)	\$ 53,826,514
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	42,504,233
Blending of the Internal Service Funds to be reflected at an entity-wide basis.	619,337
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(464,347)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	829,611
Long-term liabilities, including bonds payable and bans payable and compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(65,067,541)</u>
Net assets of governmental activites(page 25)	<u><u>\$ 32,247,807</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 13,027,147	4,778,685	2,795,193	20,601,025
Tuition	1,505,013	0	0	1,505,013
Other	581,657	594,217	916,831	2,092,705
Intermediate sources	50,000	0	0	50,000
State appropriations	23,227,630	0	1,379	23,229,009
Federal appropriations	1,012,285	0	93,985	1,106,270
Total revenues	39,403,732	5,372,902	3,807,388	48,584,022
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	16,447,777	0	40,097	16,487,874
Special instruction	6,061,177	0	0	6,061,177
Other instruction	2,732,087	0	675,945	3,408,032
	25,241,041	0	716,042	25,957,083
Support services:				
Student services	1,956,064	0	0	1,956,064
Instructional staff services	1,211,048	0	220,068	1,431,116
Administration services	4,297,267	1,652,652	466,358	6,416,277
Operation and maintenance of plant services	3,629,250	79,857	531,041	4,240,148
Transportation services	1,788,372	0	308,407	2,096,779
	12,882,001	1,732,509	1,525,874	16,140,384
Other expenditures:				
Capital outlay	0	7,630,891	286,001	7,916,892
Debt service:				
Principal	0	0	4,560,000	4,560,000
Interest and fiscal charges	0	0	420,126	420,126
AEA flowthrough	1,471,264	0	0	1,471,264
	1,471,264	7,630,891	5,266,127	14,368,282
Total expenditures	39,594,306	9,363,400	7,508,043	56,465,749
Deficiency of revenues under expenditures	(190,574)	(3,990,498)	(3,700,655)	(7,881,727)
OTHER FINANCING SOURCES(USES):				
Issuance of general obligation bonds	0	47,500,000	0	47,500,000
Issuance of revenue bonds	0	9,000,000	0	9,000,000
Transfers in	0	0	3,971,586	3,971,586
Transfers out	(10,903)	(3,846,103)	(114,580)	(3,971,586)
Total other financing source(uses)	(10,903)	52,653,897	3,857,006	56,500,000
Net change in fund balances	(201,477)	48,663,399	156,351	48,618,273
FUND BALANCES BEGINNING OF YEAR	151,084	3,792,328	1,264,829	5,208,241
FUND BALANCES END OF YEAR	\$ (50,393)	52,455,727	1,421,180	53,826,514

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds(page 29) \$ 48,618,273

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlay	\$ 9,305,040	
Depreciation expense	(1,902,713)	
Loss on disposal of assets	<u>(15,481)</u>	7,386,846

Net change in the Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (293,842)

Repayment of issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(56,500,000)	
Repaid	<u>4,560,000</u>	(51,940,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (383,623)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(235,528)	
Compensated absences	<u>(8,116)</u>	(243,644)

Changes in net assets of governmental activities(page 26) \$ 3,144,010

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

JUNE 30, 2006

	Business-Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	School Store	Total	
<u>ASSETS</u>				
Current assets:				
Cash and pooled investments	\$ 292,098	340,219	632,317	1,895,007
Accounts receivable	0	0	0	36,379
Interfund receivable	0	0	0	21,118
Inventories	40,728	0	40,728	0
Total current assets	<u>332,826</u>	<u>340,219</u>	<u>673,045</u>	<u>1,952,504</u>
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	672,679	0	672,679	0
Total non-current assets	<u>672,679</u>	<u>0</u>	<u>672,679</u>	<u>0</u>
TOTAL ASSETS	<u>1,005,505</u>	<u>340,219</u>	<u>1,345,724</u>	<u>1,952,504</u>
<u>LIABILITIES</u>				
Current liabilities:				
Interfund payable	85,464	0	85,464	780,505
Accounts payable	1,198	7,932	9,130	0
Salaries and benefits payable	20,362	1,379	21,741	0
Incurred but not reported claims	0	0	0	552,662
Unearned revenues	25,022	0	25,022	0
Total current liabilities	<u>132,046</u>	<u>9,311</u>	<u>141,357</u>	<u>1,333,167</u>
TOTAL LIABILITIES	<u>132,046</u>	<u>9,311</u>	<u>141,357</u>	<u>1,333,167</u>
<u>NET ASSETS</u>				
Investment in capital assets	672,679	0	672,679	0
Unrestricted	200,780	330,908	531,688	619,337
Total net assets	<u>\$ 873,459</u>	<u>330,908</u>	<u>1,204,367</u>	<u>619,337</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2006

	Business-Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	School Store	Total	
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 1,507,534	356,842	1,864,376	3,656,606
OPERATING EXPENSES:				
Non-instructional programs:				
Food service operations:				
Salaries	719,591	19,589	739,180	0
Benefits	235,856	2,624	238,480	3,763,210
Services	63,995	37,371	101,366	240,993
Supplies	1,260,968	252,533	1,513,501	6,792
Depreciation	81,524	0	81,524	0
Other	0	3,897	3,897	100
TOTAL OPERATING EXPENSES	2,361,934	316,014	2,677,948	4,011,095
OPERATING INCOME(LOSS)	(854,400)	40,828	(813,572)	(354,489)
NON-OPERATING REVENUES(EXPENSES):				
State sources	23,855	0	23,855	0
Federal sources	593,538	0	593,538	0
Loss on disposal of capital assets	(2,083)	0	(2,083)	0
Interest income	8,646	2,402	11,048	60,647
TOTAL NON-OPERATING REVENUES	623,956	2,402	626,358	60,647
Changes in net assets before capital contributions	(230,444)	43,230	(187,214)	(293,842)
Capital contributions	158,498	0	158,498	0
Changes in net assets	(71,946)	43,230	(28,716)	(293,842)
Net assets beginning of year	945,405	287,678	1,233,083	913,179
Net assets end of year	\$ 873,459	330,908	1,204,367	619,337

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2006

	Business-Type Activities: Enterprise Funds			Governmental Activities: Internal Service Fund
	School Nutrition	School Store	Total	
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 1,504,183	0	1,504,183	0
Cash received from miscellaneous operating activities	7,230	356,842	364,072	4,068,750
Cash payments to employees for services	(959,430)	(29,485)	(988,915)	(3,763,210)
Cash payments to suppliers for goods or services	(1,217,265)	(298,516)	(1,515,781)	(209,443)
Net cash provided by(used in) operating activities	(665,282)	28,841	(636,441)	96,097
Cash flows from non-capital financing activities:				
State grants received	23,855	0	23,855	0
Federal grants received	498,856	0	498,856	0
Interfund loan received	85,464	0	85,464	141,977
Net cash provided by non-capital financing activities	608,175	0	608,175	141,977
Cash flows from capital financing activities:				
Acquisition of capital assets	(56,954)	0	(56,954)	0
Net cash used in capital financing activities	(56,954)	0	(56,954)	0
Cash flows from investing activities:				
Interest on investment	8,646	2,402	11,048	60,647
Net cash provided by investing activities	8,646	2,402	11,048	60,647
Net increase(decrease) in cash and cash equivalents	(105,415)	31,243	(74,172)	298,721
Cash and cash equivalents at beginning of year	397,513	308,976	706,489	1,596,286
Cash and cash equivalents at end of year	\$ 292,098	340,219	632,317	1,895,007
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (854,400)	40,828	(813,572)	(354,489)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	94,682	0	94,682	0
Depreciation	81,524	0	81,524	0
Decrease in inventories	15,925	0	15,925	0
Decrease in accounts receivable	0	0	0	412,144
Increase in incurred but not reported claims	0	0	0	66,479
Decrease in accounts payable	(2,909)	(4,715)	(7,624)	(28,037)
Decrease in salaries and benefits payable	(3,983)	(7,272)	(11,255)	0
Increase in unearned revenue	3,879	0	3,879	0
Net cash provided by(used in) operating activities	(665,282)	28,841	(636,441)	96,097

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:

Current assets:				
Cash and investments	\$ 292,098	340,219	632,317	1,895,007

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$94,682.

During the year ended June 30, 2006, the District received capital contributions valued at \$158,498 from the Capital Projects Fund.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS

JUNE 30, 2006

	<u>Agency Fund</u>
ASSETS	
Cash and pooled investments	\$ 128,588
Total assets	<u>\$ 128,588</u>
LIABILITIES	
Accounts payable	\$ 119
Due to other groups	128,469
Total liabilities	<u>\$ 128,588</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS Year Ended June 30, 2006

Note 1. Summary of Significant Accounting Policies

The Southeast Polk Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Altoona, Mitchellville and Runnells, Iowa, and the predominate agricultural territory in Polk, Jasper and Marion Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, Southeast Polk Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Southeast Polk Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk, Jasper and Marion Counties Assessors' Conference Board.

B. BASIS OF PRESENTATION

Government-wide Financial Statements - The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for local option sales and services tax and capital improvements.

The District reports the following major and nonmajor proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and School Store Fund, and the Internal Service Fund. The School Nutrition Fund is a major fund used to account for the food service operations of the District. The School Store Fund is a nonmajor fund used to account for the resale service operations of the District. The Internal Service Fund is used to account for the self-funded health insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and Statement of Activities. This chargeback is based by a percentage of total employees by the participants' various functional areas.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. The fiduciary fund financial statements are reported using the economic resources measurement focus to indicate that agency funds have no measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds that are enterprise funds of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. CASH, POOLED INVESTMENTS AND CASH EQUIVILENTS

The cash balance of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purpose of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

E. PROPERTY TAXES

Property taxes in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year

property tax receivable has been recorded, the related revenue is deferred and will not be recorded as revenue until the year for which it is levied. The lien date is the day after the due date.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

F. DUE FROM OTHER GOVERNMENTS

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

G. INVENTORIES

General Fund inventories are valued at cost using the first-in and first-out method. The inventories consist of supplies, and are recorded as expenditures when consumed rather than when purchased.

The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

H. CAPITAL ASSETS

Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Land and construction in progress are not depreciated. Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

I. SALARIES AND BENEFITS PAYABLE

Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2006, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2006.

J. DEFERRED REVENUE

Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenues consist of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenues until the year for which it is levied.

K. UNEARNED REVENUE

Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

L. COMPENSATED ABSENCES

Certain District employees accumulate vacation hours for subsequent use or for payment upon termination, death, or retirement. Governmental fund types record vested vacation pay as a salary expenditure in the current year to the extent it is paid during the year. The remaining vested portion is recorded as a liability in the Statement of Net Assets as Long-Term Debt. In proprietary fund types, the full amount of the vacation costs are accounted for as liabilities of those funds. These liabilities have been computed based on current rates of pay including cost of employee benefits. The General Fund will be the governmental fund primarily used to liquidate the liability for compensated absences.

M. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

N. FUND EQUITY

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

O. RESTRICTED NET ASSETS

In the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Note 2. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the District's Board of Education annually adopts a single district wide budget and approves the related appropriations following required public notice and hearing for all funds, except internal service and agency funds. The budgets and related appropriations as well as the financial statements are prepared on the modified accrual basis or accrual basis of accounting. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of disbursements known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

The Board of Education follows these procedures in establishing budgetary data reflected in the financial statements:

1. In accordance with the Statutes of the State of Iowa, prior to March 15, the Board Secretary submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures or expenses and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding years. This budget is submitted in summary form, with an administrative control. The legal level of control for the detailed budget is at the functional area level.
2. Public hearings are required to be conducted to obtain taxpayer comment.
3. Prior to April 15, the budget is legally enacted through certification from the County Auditor.
4. Management is authorized to transfer budgeted amounts between departments within any functional area; however, any revisions that alter the total expenditures or expenses of any functional area must be approved by the Board of Education.
5. The Board of Education may amend the budget during the year by holding public hearings and certifying the amendment with the County Auditor.
6. Appropriations lapse at the end of each fiscal year.
7. The budget cannot be amended without the approval of the Board of Education.
8. Unexpended budgetary balance lapse at June 30 and are not available to finance expenditures or expenses of the following year.

Note 3. Deposits and Pooled Investments

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit and other evidence of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

As of June 30, 2006, the carrying amount of the District's bank deposits and pooled investments totaled \$58,109,708 with bank balances of \$4,675,117. These amounts are included in the cash and pooled investments on the combined balance sheet. Of the bank balance, \$400,000 was

covered by federal depository insurance and \$4,275,117 was collateralized by securities held by the pledging financial institution or its agent but not in the District's name.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 24,477,857</u>

At June 30, 2006, the District had investments in the IPASeducation as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 28,956,734</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There is no material difference from fair value.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Note 4. Transfers

The detail of transfers for year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 3,846,103
Debt Service	Physical Plant and Equipment Levy	114,580
Debt Service	General	<u>10,903</u>
Total		<u>\$ 3,971,586</u>

Transfers generally move revenues from the fund statutorily required to collect resources to the fund statutorily required to expend the resources.

Note 5. Capital Assets

Capital assets for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 947,342	215,452	2,777	1,160,017
Less accumulated depreciation	406,508	81,524	694	487,338
Business-type activities capital assets, net	<u>\$ 540,834</u>	<u>133,928</u>	<u>2,083</u>	<u>672,679</u>

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 845,200	667,260	600	1,511,860
Construction in progress	6,041,828	2,261,498	6,041,828	2,261,498
Total capital assets not being depreciated	6,887,028	2,928,758	6,042,428	3,773,358
Capital assets being depreciated:				
Buildings	36,876,761	10,963,601	0	47,840,362
Land improvements	4,093,962	66,361	0	4,160,323
Machinery and equipment	8,167,686	1,388,148	149,543	9,406,291
Total capital assets being depreciated	49,138,409	12,418,110	149,543	61,406,976
Less accumulated depreciation for:				
Buildings	13,231,182	781,438	0	14,012,620
Land improvements	2,147,680	196,889	0	2,344,569
Machinery and equipment	5,529,188	924,386	134,662	6,318,912
Total accumulated depreciation	20,908,050	1,902,713	134,662	22,676,101
Total capital assets being depreciated, net	28,230,359	10,515,397	14,881	38,730,875
Governmental activities capital assets, net	\$ 35,117,387	13,444,155	6,057,309	42,504,233

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 189,642
Special	6,171
Other	95,808

Support services:

Student	7,866
Instructional staff	194,713
Administration	31,740
Operation and maintenance of plant	13,765
Transportation	384,681
	<u>924,386</u>
Unallocated depreciation	<u>978,327</u>

Total governmental activities depreciation expense \$ 1,902,713

Business-type activities:

Food services	<u><u>\$ 81,524</u></u>
---------------	-------------------------

Note 6. Related Business Transactions

Business transactions between the District and District employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Karen Haines, Superintendent Secretary, Daughter of Robert Gulling	Miscellaneous maintenance	\$240
Jeri Sanborn, Counselor Spouse of Bruce Sanborn	Services	\$21,914
Chris English, Bus Driver Spouse is contractor with Air Con	Services	\$142,448
Phil Cronin, Teacher Owns Power Clean of Central	Equipment Repair	\$50

Note 7. Long-Term Debt

A summary of changes in general long-term debt for the year ended June 30, 2006 during the year:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 2,845,000	47,500,000	915,000	49,430,000	2,375,000
Revenue bans	8,875,000	0	2,800,000	6,075,000	6,075,000
Revenue bonds	0	9,000,000	750,000	8,250,000	1,300,000
Capital loan note	500,000	0	95,000	405,000	100,000
Early retirement	534,298	463,548	228,020	769,826	183,544
Compensated absences	129,599	137,715	129,599	137,715	137,715
Total	\$ 12,883,897	57,101,263	4,917,619	65,067,541	10,171,259

Bonded Debt

During the year ended June 30, 2006 the District issued General Obligation Bonds of \$47,500,000 for capital additions. Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Issue dated March 15, 2005</u>			<u>Issue dated May 1, 2006</u>			<u>Total</u>	
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	2.70 %	\$ 950,000	54,070	4.00 %	\$ 1,425,000	2,073,313	2,375,000	2,127,383
2008	2.90	980,000	28,420	4.00	1,150,000	2,016,312	2,130,000	2,044,732
2009		0	0	4.00	1,685,000	1,970,313	1,685,000	1,970,313
2010		0	0	4.00	1,775,000	1,902,912	1,775,000	1,902,912
2011-15		0	0	4.00-4.50	10,010,000	8,385,775	10,010,000	8,385,775
2016-20		0	0	4.50	12,400,000	6,009,750	12,400,000	6,009,750
2021-25		0	0	4.50	15,440,000	2,958,525	15,440,000	2,958,525
2026		0	0	4.50	3,615,000	162,675	3,615,000	162,675
Total		\$ 1,930,000	82,490		\$ 47,500,000	25,479,575	49,430,000	25,562,065

Revenue Bond Anticipation Notes

The County implemented a one-cent local option state sales tax. Revenue bans were issued in anticipation of future revenues. Revenue bans were issued for capital facility additions and will be repaid using Local Option Sales and Services Tax collected in the Capital Projects Fund. Details of the District's June 30, 2006 revenue bond anticipation notes bonded indebtedness are as follows:

Year Ending June 30,	Issue dated April 1, 2004		
	Interest Rates	Principal	Interest
2007	2.40 %	\$ 6,075,000	145,800

Revenue Bonds

On December 15, 2005 the District issued revenue bonds for capital facility additions. The revenue bonds will be repaid using Local Option Sales and Services Tax collected in the Capital Project Fund. Details of the District's June 30, 2006 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated December 15, 2005		
	Interest Rates	Principal	Interest
2007	3.40-3.60 %	\$ 1,300,000	307,350
2008	3.65-3.70	2,575,000	237,281
2009	3.75-3.80	3,625,000	132,162
2010	3.85-3.90	750,000	21,844
Total		\$ 8,250,000	698,637

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$405,356 of the proceeds from the issuance of the revenue bonds shall be deposited into a Capitalized Interest During Constriction Account in the Project Fund for the payment of interest on the Bonds during Construction. \$1,550,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Project Fund for payment of Project costs that you will incur after April 1st, 2007.
- b) The District is required to establish a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. In each month, at least \$30,000 shall be deposited in the Reserve Fund until \$900,000 is on deposit.
- c) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- d) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

- e) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Capital Loan Notes

Capital loan notes were issued in anticipation of future revenues and were issued for capital equipment purchases. The capital loan notes will be repaid using property taxes collected in the Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2006 capital loan notes bonded indebtedness are as follows:

Year Ending June 30,	Issue dated February 1, 2005		
	Interest Rates	Principal	Interest
2007	2.70 %	\$ 100,000	12,010
2008	2.90	100,000	9,310
2009	3.05	100,000	6,410
2010	3.20	105,000	3,360
Total		\$ 405,000	31,090

The June 30, 2006 debt issued by the District did not exceed its legal debt margin computed as follows:

Total assessed valuation	<u>\$ 1,731,392,521</u>
Debt limit, 5% of total assessed valuation	\$ 86,569,626
Amount of debt applicable to debt limit, total general obligation bonded debt	<u>64,160,000</u>
Excess of debt limit over bonded debt outstanding, legal debt margin	<u>\$ 22,409,626</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education.

The District had previously adopted an early retirement policy during the year ended June 30, 1989. Employees aged 59 to 64 who have served the District at least fifteen years with the last ten years on a continuous basis, are eligible to elect early retirement. Qualified individuals may select either of the policies at the present time.

The retirement benefit is based on current rates of pay (with negotiated increases for academic employees), and is payable in either a lump sum or three equal installments. The election must be made by June 30 to receive payment the following fiscal year.

The early retirement policy provides health insurance coverage until the retired employee reaches age 65. The District pays the same portion of the health insurance as was being paid the last year of employment under the new policy. Under the previous policy, the District paid premium increases until age 65. The District's payments for the benefits for the year ended June 30, 2006 was \$228,020 for retirement benefits and health insurance premiums. The early retirement program is funded through a property tax assessment. The cost of early retirement payments expected to be liquidated currently are recorded as a liability in the Statement of Net Assets. A liability has been

recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

Note 8. Bond Defeasement

On March 15, 2005, the District issued \$2,845,000 in general obligation bonds to advance refund \$2,810,000 of outstanding general obligation bonds dated December 1, 1989. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay all principal and interest on the refunded bonds. The new advance refunding bonds have been added to the appropriate financial statement and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2006, \$2,145,000 of such bonds is outstanding. Defeasement of principal and interest for the year was \$665,000 and \$143,200.

Note 9. Risk Management

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess \$85,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three calendar plan years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. The balance in the fund was \$619,337 at June 30, 2006, the last date for which information is available. The incurred but not recorded and unpaid claims liability of \$552,662 reported in the plan at June 30, 2006, are reported as a liability of the fund. There were no significant reductions in insurance coverage from the prior year.

The change in the incurred but not reported and unpaid claims liability for the year ended June 30, 2006 is as follows:

	2006	2005
Balance beginning of year	\$ 486,183	\$ 317,958
Incurred claims and claim adjustments	3,527,747	3,528,154
Payment of claims	3,461,268	3,359,929
Balance end of year	<u>\$ 552,662</u>	<u>\$ 486,183</u>

In addition the District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

Note 10. Pension and Retirement Benefits

Southeast Polk Community School District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and

2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$1,519,772, \$1,395,117 and \$1,309,216 respectively, equal to the required contributions for each year. The District is a participating employer in the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer public employees retirement system designed as a supplement to Social Security.

Note 11. Due from Other Governments

Amount due from other governments by Fund as of June 30, 2006 are as follows:

	<u>General Fund</u>
Local appropriations:	
Tuition	\$ 648,708
Other Reimbursements	3,429
	<hr/>
Total local appropriations	652,137
	<hr/>
State appropriations:	
State Aid (Foster Care)	23,018
District Court	18,634
Juvenile Court Liason	13,967
	<hr/>
Total state appropriations	55,619
	<hr/>
Federal appropriations:	
Title I	39,047
Advance Placement	416
Drug Free	5,232
Perkins	37,931
PEP Grant	25,411
Medicaid	37,467
	<hr/>
Total federal appropriations	145,504
	<hr/>
Total general fund due from other governments	\$ 853,260
	<hr/>
	<u>Capital Projects Fund</u>
Local appropriations:	
Local option sales and services tax	\$ 653,114
	<hr/>
Total capital projects fund due from other governments	\$ 653,114
	<hr/>
Grand total due from other governments	\$ 1,506,374
	<hr/>

Note 12. Construction Commitments

The District has active construction projects as of June 30, 2006. The projects include additions and improvements at Clay Elementary, Centennial Elementary, Altoona Elementary, Delaware Elementary and New Senior High School. At the end of the year, the District paid \$2,261,498 with \$14,071,250 of outstanding contract agreements to be paid upon completion of the capital projects.

Note 13. Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the support services, non-instructional programs and other expenditures functions exceeded the amount budgeted.

Note 14. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,471,264 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2006

	Governmental Fund Types - Actual	Proprietary Fund Types - Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance - Positive (Negative)
Revenues:						
Local sources	\$ 24,198,743	\$ 1,875,424	\$ 26,074,167	\$ 24,621,725	\$ 24,621,725	\$ 1,452,442
Intermediate sources	50,000	0	50,000	0	0	50,000
State appropriations	23,229,009	23,855	23,252,864	24,562,121	24,562,121	(1,309,257)
Federal appropriations	1,106,270	593,538	1,699,808	1,775,071	1,775,071	(75,263)
Total revenues	48,584,022	2,492,817	51,076,839	50,958,917	50,958,917	117,922
Expenditures:						
Instruction	25,957,083	0	25,957,083	26,065,159	26,065,159	108,076
Support services	16,140,384	0	16,140,384	13,378,180	13,378,180	(2,762,204)
Non-instructional programs	0	2,680,031	2,680,031	2,072,069	2,072,069	(607,962)
Other expenditures	14,368,282	0	14,368,282	8,577,357	8,577,357	(5,790,925)
Total expenditures	56,465,749	2,680,031	59,145,780	50,992,765	50,992,765	(9,053,015)
Excess(deficiency) of revenues over(under) expenditures	(7,881,727)	(187,214)	(8,068,941)	866,152	866,152	(8,935,093)
Other financing sources, net	56,500,000	158,498	56,658,498	0	0	56,658,498
Excess(deficiency) of revenues and other financing sources over(under) expenditures	48,618,273	(28,716)	48,589,557	866,152	866,152	47,723,405
Balance beginning of year	5,208,241	1,233,083	6,441,324	5,323,112	5,323,112	1,118,212
Balance end of year	\$ 53,826,514	\$ 1,204,367	\$ 55,030,881	\$ 6,189,264	\$ 6,189,264	\$ 48,841,617

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

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SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2006

	Special Revenue Funds					Debt Service	Total Other Nonmajor Governmental Funds
	Management Fund	Student Activity	Physical Plant and Equipment Fund	Trust	Total Special Revenue Funds		
ASSETS							
Cash and pooled investments	\$ 486,411	222,985	299,984	483,701	1,493,081	26,352	1,519,433
Receivables:							
Property taxes:							
Current year delinquent	8,498	0	9,724	0	18,222	9,859	28,081
Succeeding year	855,000	0	1,116,666	0	1,971,666	4,500,893	6,472,559
Interfund	0	0	0	0	0	9,594	9,594
TOTAL ASSETS	\$ 1,349,909	222,985	1,426,374	483,701	3,482,969	4,546,698	8,029,667
LIABILITIES AND EQUITY							
Liabilities:							
Interfund payable	\$ 0	0	59,594	0	59,594	26,161	85,755
Accounts payable	6,116	4,404	39,298	0	49,818	0	49,818
Salaries and benefits payable	0	355	0	0	355	0	355
Deferred revenue:							
Succeeding year property tax	855,000	0	1,116,666	0	1,971,666	4,500,893	6,472,559
Total liabilities	861,116	4,759	1,215,558	0	2,081,433	4,527,054	6,608,487
Equity							
Fund balance:							
Reserved for debt service	0	0	0	0	0	19,644	19,644
Unreserved:							
Undesignated	488,793	218,226	210,816	483,701	1,401,536	0	1,401,536
Total equity	488,793	218,226	210,816	483,701	1,401,536	19,644	1,421,180
TOTAL LIABILITIES AND EQUITY	\$ 1,349,909	222,985	1,426,374	483,701	3,482,969	4,546,698	8,029,667

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Management Fund	Student Activity	Physical Plant and Equipment Fund	Trust	Total Special Revenue Funds	Debt Service
REVENUES:						
Local sources:						
Local tax	\$ 801,507	0	983,550	0	1,785,057	1,010,136
Other	125,824	736,830	10,071	42,964	915,689	1,142
State sources	426	0	470	0	896	483
Federal sources	0	0	93,985	0	93,985	0
TOTAL REVENUES	927,757	736,830	1,088,076	42,964	2,795,627	1,011,761
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	0	0	0	40,097	40,097	0
Other instruction	0	675,945	0	0	675,945	0
Support services:						
Instructional staff support services	0	0	220,068	0	220,068	0
Administration services	375,777	87	90,494	0	466,358	0
Operation and maintenance of plant services	466,591	1,232	63,218	0	531,041	0
Transportation services	54,553	0	253,854	0	308,407	0
Other expenditures:						
Capital outlay	0	0	286,001	0	286,001	0
Long-term debt:						
Principal	0	0	0	0	0	4,560,000
Interest and fiscal charges	0	0	0	0	0	420,126
TOTAL EXPENDITURES	896,921	677,264	913,635	40,097	2,527,917	4,980,126
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	30,836	59,566	174,441	2,867	267,710	(3,968,365)
OTHER FINANCING SOURCES(USES):						
Transfers in	0	0	0	0	0	3,971,586
Transfers out	0	0	(114,580)	0	(114,580)	0
	0	0	(114,580)	0	(114,580)	3,971,586
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	30,836	59,566	59,861	2,867	153,130	3,221
FUND BALANCES BEGINNING OF YEAR	457,957	158,660	150,955	480,834	1,248,406	16,423
FUND BALANCES END OF YEAR	\$ 488,793	218,226	210,816	483,701	1,401,536	19,644

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND

YEAR ENDED JUNE 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
STUDENT AGENCY				
ASSETS				
Cash and pooled investments	\$ 122,914	259,404	253,730	128,588
Total Assets	<u>\$ 122,914</u>	<u>259,404</u>	<u>253,730</u>	<u>128,588</u>
LIABILITIES				
Accounts payable	\$ 17,849	119	17,849	119
Due to other groups	105,065	259,285	235,881	128,469
Total Liabilities	<u>\$ 122,914</u>	<u>259,404</u>	<u>253,730</u>	<u>128,588</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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Southeast Polk Community School District

Statistical Section

(Unaudited)

This part of the Southeast Polk Community School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	60-71
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	72-75
These schedules contain trend information to help the reader assess the factors affecting the District's ability to generate its property taxes.	
Debt Capacity	77-82
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	83-87
These schedules offer demographic and economic indicators to help the reader understand the environment within the District's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	88-94
These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	

Schedule 1
Southeast Polk Community School District

Net Assets by Component
Last Four Fiscal Years*
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	\$ 15,738,448	\$ 14,120,320	\$ 22,984,041	\$ 31,866,073
Restricted	5,419,850	7,944,765	4,436,950	772,049
Unrestricted	1,422,786	2,730,484	1,682,806	(390,315)
Total governmental activities net assets	\$ 22,581,084	\$ 24,795,569	\$ 29,103,797	\$ 32,247,807
Business-type activities:				
Invested in capital assets, net of related debt	\$ 246,994	\$ 339,530	\$ 540,834	\$ 672,679
Restricted	-	-	-	-
Unrestricted	553,650	593,346	692,249	531,688
Total business-type activities net assets	\$ 800,644	\$ 932,876	\$ 1,233,083	\$ 1,204,367
Primary government:				
Invested in capital assets, net of related debt	\$ 15,985,442	\$ 14,459,850	\$ 23,524,875	\$ 32,538,752
Restricted	5,419,850	7,944,765	4,436,950	772,049
Unrestricted	1,976,436	3,323,830	2,375,055	141,373
Total primary government net assets	\$ 23,381,728	\$ 25,728,445	\$ 30,336,880	\$ 33,452,174

Source: School District financial records.

Note:

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

Schedule 2
Southeast Polk Community School District

Expenses, Program Revenues and Net (Expense) Revenue
Last Four Fiscal Years*
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Expenses:				
Governmental activities:				
Instruction	\$ 21,266,961	\$ 23,761,239	\$ 25,683,516	\$ 26,044,931
Student services	1,748,623	1,755,783	1,913,787	1,919,677
Instructional staff services	1,531,067	1,607,844	1,585,381	1,631,508
Administration services	5,025,283	5,277,883	4,750,953	6,200,028
Operation and maintenance of plant	3,094,721	3,038,417	3,434,212	4,271,418
Pupil transportation services	1,667,934	1,603,892	1,855,049	2,119,110
Other support services	212,536	264,534	69,641	-
Facilities acquisitions	-	-	-	-
Interest on long-term debt	538,403	441,509	439,621	803,749
AEA flowthrough	1,262,623	1,272,602	1,344,421	1,471,264
Depreciation (unallocated)	939,144	147,998	767,459	978,327
Total governmental activities expenses	37,287,295	39,171,701	41,844,040	45,440,012
Business-type activities:				
Nutrition services	1,711,844	1,774,896	2,065,506	2,364,017
School store services	250,750	260,308	294,138	316,014
Total business-type activities expenses	1,962,594	2,035,204	2,359,644	2,680,031
Total primary government expenses	\$ 39,249,889	\$ 41,206,905	\$ 44,203,684	\$ 48,120,043
Program revenues:				
Governmental activities:				
Charges for services:				
Instruction	\$ 2,651,988	\$ 2,613,661	\$ 2,746,904	\$ 3,361,758
Support services	12,761	30,032	11,538	19,010
Operating grants and contributions	3,197,867	3,676,491	3,654,335	4,063,657
Capital grants and contributions	-	937,875	202,595	90,197
Total governmental activities program revenues	5,862,616	7,258,059	6,615,372	7,534,622

(Continued on the following page.)

Schedule 2
Southeast Polk Community School District

Expenses, Program Revenues and Net (Expense) Revenue (Continued)
Last Four Fiscal Years*
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Business-type activities:				
Charges for services:				
Nutrition	1,269,223	1,368,148	1,455,729	1,507,534
School store	267,700	270,554	339,971	356,842
Operating grants and contributions	461,326	525,005	587,435	617,393
Capital grants and contributions	-	-	-	-
Total business-type program revenues	1,998,249	2,163,707	2,383,135	2,481,769
Total primary government program revenues	\$ 7,860,865	\$ 9,421,766	\$ 8,998,507	\$ 10,016,391
Net (expense) revenue:				
Governmental activities	\$ (31,424,679)	\$ (31,913,642)	\$ (35,228,668)	\$ (37,905,390)
Business-type activities	35,655	128,503	23,491	(198,262)
Total primary government net expense	\$ (31,389,024)	\$ (31,785,139)	\$ (35,205,177)	\$ (38,103,652)

Source: School District financial records.

Note:

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

Schedule 3
Southeast Polk Community School District

General Revenues and Total Change in Net Assets
Last Four Fiscal Years*
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Net (expense) revenue:				
Governmental activities	\$ (31,424,679)	\$ (31,913,642)	\$ (35,228,668)	\$ (37,905,390)
Business-type activities	35,655	128,503	23,491	(198,262)
Total primary government net expense	(31,389,024)	(31,785,139)	(35,205,177)	(38,103,652)
General revenues and other changes in net assets:				
Governmental activities:				
Taxes:				
Property taxes levied for general purposes	11,930,594	13,587,154	13,582,633	13,828,654
Property taxes levied for debt service	-	-	-	1,010,136
Property taxes levied for capital outlay	-	869,519	345,828	983,550
Sales tax	4,109,803	4,249,399	4,478,035	4,778,685
Unrestricted grants and contributions	16,095,076	17,050,531	18,427,583	20,181,425
Miscellaneous	10,693	-	14,490	-
Investment earnings	79,964	43,584	136,707	266,950
Transfers	-	-	-	-
Total governmental activities	32,226,130	35,800,187	36,985,276	41,049,400
Business-type activities:				
Miscellaneous	-	-	269,985	158,498
Investment earnings	4,654	3,729	6,731	11,048
Transfers	-	-	-	-
Total business-type activities	4,654	3,729	276,716	169,546
Total primary government	32,230,784	35,803,916	37,261,992	41,218,946
Change in net assets:				
Governmental activities	801,451	3,886,545	1,756,608	3,144,010
Business-type activities	40,309	132,232	300,207	(28,716)
Total primary government	\$ 841,760	\$ 4,018,777	\$ 2,056,815	\$ 3,115,294

Source: School District financial records.

Note:

* The District began to report accrual information when it implemented GASB Statement No. 34 in 2003.

Schedule 4
Southeast Polk Community School District

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	1997	1998	1999	2000	2001
General Fund:					
Reserved	\$ 118,700	\$ 27,720	\$ 439,146	\$ 329,097	\$ 502,879
Unreserved	866,904	1,946,945	1,595,047	2,259,175	1,765,073
Total General Fund	\$ 985,604	\$ 1,974,665	\$ 2,034,193	\$ 2,588,272	\$ 2,267,952
All other governmental funds:					
Reserved					
Debt service funds	\$ 29,468	\$ 86,440	\$ 93,815	\$ 114,498	\$ (122)
Unreserved, reported in:					
Capital projects funds	-	-	-	1,057,252	7,320,666
Special revenue funds	811,378	1,090,016	1,099,075	837,091	714,283
Total all other governmental funds	\$ 840,846	\$ 1,176,456	\$ 1,192,890	\$ 2,008,841	\$ 8,034,827

Source: School District financial records.

Fiscal Year				
2002	2003	2004	2005	2006
\$ 476,750	\$ 55,605	\$ 16,904	\$ 5,128	\$ 70,122
1,118,846	38,313	452,578	145,956	(120,515)
\$ 1,595,596	\$ 93,918	\$ 469,482	\$ 151,084	\$ (50,393)
<hr/>				
\$ -	\$ -	\$ -	\$ 16,423	\$ 19,644
1,109,473	4,185,574	7,131,458	3,792,328	52,455,727
995,098	1,689,629	1,133,716	1,248,406	1,401,536
\$ 2,104,571	\$ 5,875,203	\$ 8,265,174	\$ 5,057,157	\$ 53,876,907

Schedule 5
Southeast Polk Community School District

Governmental Funds Revenues
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	1997	1998	1999	2000	2001
Federal sources:					
Federal sources	\$ 290,465	\$ 290,713	\$ 254,825	\$ 379,578	\$ 662,317
Total federal sources	290,465	290,713	254,825	379,578	662,317
State sources:					
State sources	\$ 12,948,901	\$ 14,076,213	\$ 14,493,941	\$ 16,175,184	\$ 17,194,930
Total state sources	12,948,901	14,076,213	14,493,941	16,175,184	17,194,930
Intermediate sources:					
Intermediate sources	\$ -	\$ -	\$ -	\$ -	\$ -
Total intermediate sources	-	-	-	-	-
Local sources:					
Local taxes	\$ 8,466,982	\$ 9,765,436	\$ 9,918,197	\$ 10,496,931	\$ 13,647,904
Tuition	1,044,316	1,080,609	1,258,402	1,130,142	1,166,895
Other revenues	1,099,577	1,797,984	1,157,636	1,030,232	1,139,808
Total local sources	10,610,875	12,644,029	12,334,235	12,657,305	15,954,607
Total revenues	\$ 23,850,241	\$ 27,010,955	\$ 27,083,001	\$ 29,212,067	\$ 33,811,854

Source: School District financial records.

Fiscal Year				
2002	2003	2004	2005	2006
\$ 1,314,478	\$ 803,840	\$ 2,226,435	\$ 1,151,223	\$ 1,106,270
1,314,478	803,840	2,226,435	1,151,223	1,106,270
\$ 17,938,464	\$ 18,488,105	\$ 19,438,462	\$ 21,133,290	\$ 23,229,009
17,938,464	18,488,105	19,438,462	21,133,290	23,229,009
\$ -	\$ 998	\$ -	\$ -	\$ 50,000
-	998	-	-	50,000
\$ 14,888,466	\$ 15,293,526	\$ 18,100,184	\$ 18,929,643	\$ 20,601,025
1,330,092	1,438,145	1,646,046	1,620,381	1,505,013
1,073,193	1,306,568	1,041,232	1,274,768	2,092,705
17,291,751	18,038,239	20,787,462	21,824,792	24,198,743
\$ 36,544,693	\$ 37,331,182	\$ 42,452,359	\$ 44,109,305	\$ 48,584,022

Schedule 6
Southeast Polk Community School District

Governmental Funds Expenditures and Debt Service Ratio
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	1997	1998	1999	2000	2001
Instruction	\$ 14,350,334	\$ 14,739,434	\$ 16,256,502	\$ 17,138,364	\$ 18,743,051
Student services	883,966	1,042,221	1,032,530	1,150,791	1,282,573
Instructional staff services	712,157	1,017,332	739,296	806,986	1,376,572
Administration services	2,407,132	2,408,187	2,460,427	2,658,750	2,891,601
Operation and maintenance of plant services	2,511,008	2,579,499	3,036,922	3,153,691	3,197,440
Pupil transportation services	977,777	989,498	985,183	977,705	1,350,821
Other support services	76,775	220,544	161,033	165,842	109,123
AEA Flowthrough	920,472	998,157	1,063,321	1,133,349	1,216,484
Capital outlay:					
Facilities acquisition/construction	42,211	699,680	423,239	1,663,884	3,511,738
Debt service:					
Principal	355,000	375,000	405,000	430,000	525,000
Interest	494,436	465,551	435,089	402,079	387,086
Total expenditures	\$ 23,731,268	\$ 25,535,103	\$ 26,998,542	\$ 29,681,441	\$ 34,591,489
Debt service as a percentage of noncapital expenditures	3.71%	3.40%	3.21%	2.88%	2.71%

Source: School District financial records.

Fiscal Year					
	2002	2003	2004	2005	2006
\$	20,848,195	\$ 21,297,513	\$ 23,214,429	\$ 25,365,585	\$ 25,957,083
	1,204,707	1,769,412	1,781,313	1,817,992	1,956,064
	1,202,330	1,136,804	1,261,556	1,432,133	1,431,116
	3,198,463	3,568,412	3,975,116	4,034,632	6,416,277
	2,588,392	3,079,753	3,080,660	3,401,604	4,240,148
	1,465,053	1,469,880	1,541,136	2,174,884	2,096,779
	220,135	218,863	269,730	62,514	-
	1,241,684	1,262,623	1,272,602	1,344,421	1,471,264
	7,986,299	1,122,598	4,087,665	7,492,246	7,916,892
	2,550,000	575,000	4,850,000	630,000	4,560,000
	632,052	533,355	427,617	419,899	420,126
\$	43,137,310	\$ 36,034,213	\$ 45,761,824	\$ 48,175,910	\$ 56,465,749
	7.96%	3.17%	13.04%	2.23%	9.67%

Schedule 7
Southeast Polk Community School District

Other Financing Sources and Uses and Net Change in Fund Balances
Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year				
	1997	1998	1999	2000	2001
Excess of revenues over (under) expenditures	\$ 118,973	\$ 1,475,852	\$ 84,459	\$ (469,374)	\$ (779,635)
Other financing sources (uses):					
Issuance of general obligation bonds	-	-	-	-	-
Issuance of revenue bonds	-	-	-	2,000,000	6,500,000
Issuance of bond anticipation notes	-	-	-	-	-
Refunding debt issued	-	-	-	-	-
Payment to refunding escrow agent	-	-	-	-	-
Premium on bonds	-	-	-	-	-
Sale of capital assets	-	-	-	587	376
Proceeds on loans	-	-	-	-	-
Compensation for loss of capital assets	-	1,320	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	(140,273)	-	-	-
Total other financing sources					
(uses)	-	(138,953)	-	2,000,587	6,500,376
Net change in fund balances	\$ 118,973	\$ 1,336,899	\$ 84,459	\$ 1,531,213	\$ 5,720,741

Source: School District financial records.

Fiscal Year				
2002	2003	2004	2005	2006
\$ (6,592,617)	\$ 1,296,969	\$ (3,309,465)	\$ (4,066,605)	\$ (7,881,727)
-	-	-	-	47,500,000
-	-	-	-	9,000,000
-	2,800,000	6,075,000	-	-
-	-	-	2,845,000	-
-	(2,250,000)	-	(2,810,000)	-
-	-	-	4,140	-
7,176	10,693	-	1,050	-
-	-	-	500,000	-
-	-	-	-	-
-	558,355	5,282,294	1,014,146	3,971,586
-	(558,355)	(5,282,294)	(1,014,146)	(3,971,586)
7,176	560,693	6,075,000	540,190	56,500,000
\$ (6,585,441)	\$ 1,857,662	\$ 2,765,535	\$ (3,526,415)	\$ 48,618,273

Schedule 8
Southeast Polk Community School District

Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Actual Value			Less Exemptions	Total Taxable Value	Total Direct Rate (a)
	Residential Property	Commercial Property	Other Property			
1997	\$ 261,295,350	\$ 144,547,010	\$ 153,932,183	\$ 2,187,212	\$ 557,587,331	\$19.52744
1998	282,837,060	152,868,050	150,293,356	2,263,144	583,735,322	18.00821
1999	311,199,740	164,015,321	95,156,926	2,304,814	568,067,173	17.35279
2000	339,207,240	167,526,590	99,665,875	2,323,538	604,076,167	16.54398
2001	353,836,272	166,970,038	94,834,052	2,344,328	613,296,034	15.31041
2002	370,133,260	175,510,560	95,488,029	2,414,388	638,717,461	15.12681
2003	412,483,550	182,365,600	81,931,535	2,442,282	674,338,403	15.41627
2004	434,907,020	183,937,460	83,885,111	2,510,242	700,219,349	17.36978
2005	484,422,690	198,711,420	89,665,202	2,608,572	770,190,740	17.28014
2006	516,586,720	216,397,080	85,978,830	2,745,930	816,216,700	18.12266

Source: Polk County Auditor, Jasper County Auditor and Marion County Auditor.

Notes: Property is assessed on a calendar year basis. The assessments finalized as of January 1 of each year are applied to the following fiscal year.

(a) Per \$1,000 of assessed value.

Schedule 9
Southeast Polk Community School District

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)
(Unaudited)

Fiscal Year Ended June 30	District Direct Rates					Overlapping Rates							
	General Purposes	Capital Purposes	Debt Service	Management	Total	Polk County	Jasper County	Marion County	Community College	City of Altoona	City of Michellville	City of Pleasant Hill	City of Runnells
1997	\$16.09153	\$1.00000	\$1.75148	\$0.68443	\$19.52744	\$9.12036	\$9.97442	\$9.18108	\$0.47230	\$10.67000	\$13.57112	\$13.28132	\$8.09989
1998	14.42856	1.00000	1.71107	0.86858	18.00821	9.29190	9.89595	9.83566	0.50551	8.93000	13.60052	12.05876	8.10000
1999	14.18262	1.00000	1.32114	0.84903	17.35279	9.28374	10.84579	10.06840	0.52451	8.90665	13.41784	11.66573	8.10000
2000	13.37381	1.00000	1.32114	0.84903	16.54398	9.25871	7.43983	10.58994	0.54506	8.90000	14.19207	11.60937	8.10000
2001	13.67127	1.00000	0.00000	0.63914	15.31041	9.33502	7.34244	10.39771	0.54454	8.89729	13.15140	11.78489	8.10000
2002	13.28956	1.00000	0.00000	0.85725	15.12681	9.64388	9.05654	10.51039	0.54454	8.89369	13.61875	11.60171	8.10000
2003	13.50415	1.00000	0.00000	0.91212	15.41627	9.76626	9.07370	10.55243	0.58184	8.89369	13.86759	11.48189	8.10000
2004	15.46653	1.00000	0.00000	0.90325	17.36978	9.98860	8.06036	11.09079	0.59856	8.89369	13.33972	11.48228	8.82955
2005	15.16501	1.00000	0.00000	1.11513	17.28014	9.94718	9.66429	11.21732	0.68408	8.79369	13.47156	11.48189	9.02241
2006	15.09091	1.00000	1.02764	1.00411	18.12266	10.17911	9.80745	11.21732	0.68688	8.64369	12.45074	11.48197	9.07850

Source: Polk County Auditor, Jasper County Auditor and Marion County Auditor.

Schedule 10
Southeast Polk Community School District

Principal Property Taxpayers
Current Year and Seven Years Ago
(Unaudited)

Taxpayer	2006			1999		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Prairie Meadows	\$ 72,799,560	1	8.92%	\$ 63,073,600	1	11.10%
Forget Properties	19,998,710	2	2.45%	-	-	-
Adventureland/America	18,713,320	3	2.29%	14,521,320	2	2.56%
Ziegler Realty LLC	13,399,070	4	1.64%	-	-	-
Wal-Mart	12,143,420	5	1.49%	-	-	-
Menards, Inc.	10,586,510	6	1.30%	-	-	-
Lowe's Home Centers, Inc.	9,592,850	7	1.18%	-	-	-
Target Corp.	8,004,900	8	0.98%	-	-	-
Bosselmann Inc	6,140,910	9	0.75%	5,114,480	4	0.90%
Iowa Cold Storage	6,048,200	10	0.74%	-	-	-
US West	-	-	-	8,669,398	3	1.53%
Warren Family Farms	-	-	-	4,408,950	5	0.78%
ARC IV LLC	-	-	-	3,256,550	6	0.57%
Altoona Meadows	-	-	-	3,121,310	7	0.55%
Venbury Inc.	-	-	-	2,816,520	8	0.50%
Centennial Place	-	-	-	2,693,520	9	0.47%
Spruce Partnership	-	-	-	2,680,700	10	0.47%
Total	<u>\$ 177,427,450</u>		<u>21.74%</u>	<u>\$ 110,356,348</u>		<u>19.43%</u>

Source: Polk County Auditor

Note: Data prior to 1999 was not available.

Schedule 11
Southeast Polk Community School District

Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 8,014,732	\$ 7,846,983	97.91%	\$ -	\$ 7,846,983	97.91%
1998	8,533,805	8,941,594	104.78%	-	8,941,594	104.78%
1999	9,279,916	9,270,718	99.90%	82	9,270,800	99.90%
2000	9,797,293	9,831,966	100.35%	476	9,832,442	100.36%
2001	9,689,490	9,686,394	99.97%	733	9,687,127	99.98%
2002	10,138,700	9,948,901	98.13%	29,712	9,978,613	98.42%
2003	10,502,637	10,419,511	99.21%	56,684	10,476,195	99.75%
2004	12,969,952	13,020,151	100.39%	13,181	13,033,332	100.49%
2005	13,558,071	13,426,525	99.03%	3,079	13,429,604	99.05%
2006	13,548,838	14,746,175	108.84%	2,139	14,748,314	108.85%

Source: School District financial records, Polk County Auditor, Jasper County Auditor and Marion County Auditor.

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Schedule 12
Southeast Polk Community School District

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	General Obligation Bonds	Revenue Bans/Bonds	Capital Loan Note	Total General Bonded Debt	Percent of Actual Taxable Value of Property (a)	Per Capita (b)
1997	\$ 6,900,000	\$ -	\$ -	\$ 6,900,000	1.24%	\$399
1998	6,525,000	-	-	6,525,000	1.12%	\$377
1999	6,120,000	-	-	6,120,000	1.08%	\$353
2000	5,690,000	2,000,000	-	7,690,000	1.27%	\$444
2001	5,165,000	8,500,000	-	13,665,000	2.23%	\$663
2002	4,615,000	6,500,000	-	11,115,000	1.74%	\$539
2003	4,040,000	7,050,000	-	11,090,000	1.64%	\$538
2004	3,440,000	8,875,000	-	12,315,000	1.76%	\$469
2005	2,845,000	8,875,000	500,000	12,220,000	1.59%	\$456
2006	49,430,000	14,325,000	405,000	64,160,000	7.86%	\$2,316

Source: School District financial records, Polk County Auditor, Jasper County Auditor and Marion County Auditor.

Notes:

- (a) Actual taxable value of property includes Tax Increment Financing valuation.
- (b) See Schedule 17 for population data.

Schedule 13
Southeast Polk Community School District

Outstanding Debt by Type
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Governmental Activities					Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Early Retirement	Compensated Absences	Revenue Bans/Bonds	Capital Loan Note			
1997	\$ 6,900,000	\$ -	\$ -	\$ -	\$ -	\$ 6,900,000	N/A	\$ 399
1998	6,525,000	349,243	114,234	-	-	6,988,477	2.23%	404
1999	6,120,000	371,973	114,234	-	-	6,606,207	1.89%	382
2000	5,690,000	277,436	58,571	2,000,000	-	8,026,007	2.09%	464
2001	5,165,000	299,030	332,005	8,500,000	-	14,296,035	3.47%	693
2002	4,615,000	315,964	66,894	6,500,000	-	11,497,858	2.67%	558
2003	4,040,000	654,673	68,066	7,050,000	-	11,812,739	2.63%	573
2004	3,440,000	572,160	68,401	8,875,000	-	12,955,561	2.65%	493
2005	2,845,000	534,298	129,599	8,875,000	500,000	12,883,897	2.31%	481
2006	49,430,000	769,826	137,715	14,325,000	405,000	65,067,541	N/A	2,349

Source: School District financial records.

Notes: N/A = not available. Details of the District's outstanding debt can be found in Note 7 in the notes to the financial statements.

(a) See Schedule 17 for personal income and population data. These ratios are calculated using personal income and population for the prior year calendar year.

Schedule 14
Southeast Polk Community School District

Direct and Overlapping Governmental Activities Debt
As of June 30, 2006

(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Direct and Overlapping Debt
Polk County	\$ 162,375,000	5.79%	\$ 9,408,170
Jasper County	13,545,000	0.33%	44,468
Marion County	5,415,000	0.27%	14,366
City of Mitchellville	192,177	100.00%	192,177
City of Runnells	-	-	-
City of Altoona	31,090,000	68.89%	21,418,865
City of Pleasant Hill	10,390,000	62.92%	6,537,388
Subtotal, overlapping debt			<u>37,615,434</u>
District direct debt			65,067,541
Total direct and overlapping debt			<u><u>\$ 102,682,975</u></u>

Source: Taxable value data used to estimate applicable percentages provided by the County Auditor. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the district. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(a) The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

Schedule 15
Southeast Polk Community School District

Legal Debt Margin Information
Last Ten Fiscal Years

(Unaudited)

	1997	1998	1999	2000	2001
Debt limit	\$ 30,772,429	\$ 32,494,202	\$ 39,669,929	\$ 40,909,667	\$ 45,271,347
Total net debt applicable to limit	6,900,000	6,525,000	6,120,000	7,690,000	13,665,000
Legal debt margin	\$ 23,872,429	\$ 25,969,202	\$ 33,549,929	\$ 33,219,667	\$ 31,606,347
Total net debt applicable to the limit as a percentage of debt limit	22.42%	20.08%	15.43%	18.80%	30.18%

Source: School District financial records, Polk County Auditor, Jasper County Auditor and Marion County Auditor.

Notes:

- (a) Actual assessed value includes Tax Increment Financing
- (b) Code of Iowa Section 296.1

Legal Debt Margin Calculation for Fiscal Year 2006

Actual assessed value (a)	<u>\$ 1,731,392,521</u>
Debt limit (5% of assessed value) (b)	\$ 86,569,626
Debt applicable to limit	<u>64,160,000</u>
Legal debt margin	<u>\$ 22,409,626</u>

2002	2003	2004	2005	2006
\$ 47,239,601	\$ 51,596,396	\$ 55,669,020	\$ 79,934,600	\$ 86,569,626
11,115,000	11,090,000	12,315,000	12,220,000	64,160,000
\$ 36,124,601	\$ 40,506,396	\$ 43,354,020	\$ 67,714,600	\$ 22,409,626
23.53%	21.49%	22.12%	15.29%	74.11%

Schedule 16
Southeast Polk Community School District

Pledged-Revenue Coverage
Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Sales Tax Revenue Bans/Bonds			
	Revenue	Debt Service		Coverage
		Principal	Interest	
1997	\$ -	\$ -	\$ -	-
1998	-	-	-	-
1999	-	-	-	-
2000	-	-	-	-
2001	3,249,004	-	110,500	29.40
2002	4,092,294	2,000,000	378,250	1.72
2003	4,109,803	-	276,250	14.88
2004	4,249,399	4,250,000	242,575	0.95
2005	4,478,035	-	197,460	22.68
2006	4,778,685	3,550,000	208,800	1.27

Source: School District financial records.

Notes: Details regarding the District's outstanding debt can be found in Note 7 of the notes to the financial statements.

Schedule 17
Southeast Polk Community School District

Demographic and Economic Statistics
Last Ten Calendar Years
(Unaudited)

Calendar Year	Population (a)	Personal Income (b)	Adjusted Gross Income Per Tax Return (b)	Per Capita Personal Income	Unemployment Rate (c)
1996	17,313	N/A	N/A	N/A	2.9%
1997	17,313	\$313,679,559	\$28,346	\$18,118	2.7%
1998	17,313	\$349,074,020	\$29,920	\$20,163	2.0%
1999	17,313	\$383,410,972	\$31,389	\$22,146	1.6%
2000	20,620	\$411,969,160	\$32,569	\$19,979	1.8%
2001	20,620	\$430,107,415	\$32,986	\$20,859	2.1%
2002	20,620	\$449,750,847	\$33,740	\$21,811	3.6%
2003	26,259	\$487,999,377	\$34,892	\$18,584	3.7%
2004	26,770	\$557,024,979	\$37,586	\$20,808	3.7%
2005	27,700	N/A	N/A	N/A	4.3%

Notes:

N/A = not available.

- (a) U.S. Department of Commerce, Bureau of Census
- (b) Iowa Department of Revenue
- (c) Iowa Workforce Development

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Schedule 18
Southeast Polk Community School District

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	2006			1997		
	Employees	Rank	Percentage of Total Employment	Employees*	Rank	Percentage of Total Employment
Wells Fargo Banks	10,500	1	3.93%	-	-	-
Principal Financial Group	7,600	2	2.84%	N/A	1	N/A
Mercy Medical Center	4,467	3	1.67%	N/A	3	N/A
Iowa Health System	4,018	4	1.50%	N/A	2	N/A
Wells Fargo Financial	3,710	5	1.39%	-	-	-
MidAmerican Energy Company	3,500	6	1.31%	-	-	-
Pioneer Hi-Bred International	2,000	7	0.75%	N/A	7	N/A
Firestone Agricultural Tire Company	1,800	8	0.67%	N/A	5	N/A
UPS	1,600	9	0.60%	N/A	10	N/A
FBL Financial Group	1,551	10	0.58%	-	-	-
Hy-Vee Food Stores	-	-	-	N/A	4	N/A
IASD Health Svcs Corp.	-	-	-	N/A	6	N/A
Sears Roebuck & Co.	-	-	-	N/A	8	N/A
Dahl's Foods	-	-	-	N/A	9	N/A
Total	40,746		15.23%	-		0.00%

Source: Iowa Workforce Development, www.wikipedia.com

Notes: N/A = not available.

*Each of the 1997 Top 10 employers has over 1000 employees. As a combined group, these employers represented 13.26% of the total employment in the area. Exact employment figures are not available.

This is a representative list of the larger employers in the Des Moines Metropolitan Area.

Schedule 19
Southeast Polk Community School District

Full-Time Equivalent District Employees By Type
Last Ten Fiscal Years
(Unaudited)

	Full-Time Equivalent Employees as of June 30				
	1997	1998	1999	2000	2001
Supervisory:					
Superintendent	1.0	1.0	1.0	1.0	1.0
Assistant superintendent	-	-	-	-	-
Principals	9.0	9.0	11.0	10.0	10.0
Assistant principals	-	-	1.0	1.0	1.0
All other administrators	11.5	7.5	10.0	10.0	12.0
Total supervisory	21.5	17.5	23.0	22.0	24.0
Instruction:					
Regular program teachers	268.5	265.0	276.5	281.0	287.5
Special Education teachers	30.0	30.0	35.5	38.0	40.0
Total instruction	298.5	295.0	312.0	319.0	327.5
Student services:					
Guidance counselors	11.0	11.0	16.0	16.0	16.0
Nurses	9.0	4.0	5.0	5.0	5.0
Media Specialists	4.0	4.0	4.0	4.0	4.0
Total student services	24.0	19.0	25.0	25.0	25.0
Support and administration:					
Clerical/secretarial	28.0	39.0	50.0	54.0	55.0
Custodial and Maintenance	52.0	52.0	62.0	53.0	52.0
Food Service	34.0	34.0	18.0	18.0	18.0
Bus Drivers	35.5	35.5	18.0	18.0	18.0
Total support and administration	149.5	160.5	148.0	143.0	143.0
Total	493.5	492.0	508.0	509.0	519.5

Source: District records.

Full-Time Equivalent Employees as of June 30					Percentage Change 1997 - 2006
2002	2003	2004	2005	2006	
1.0	1.0	1.0	1.0	1.0	0.0%
-	1.0	1.0	1.0	1.1	100.0%
10.0	12.0	12.0	12.0	13.0	44.4%
1.0	1.0	1.0	2.0	2.0	100.0%
12.0	9.0	9.0	11.0	6.5	-43.5%
24.0	24.0	24.0	27.0	23.6	9.8%
-					
294.4	315.2	312.1	346.9	305.2	13.6%
77.0	62.5	54.5	68.5	130.5	335.0%
371.4	377.7	366.6	415.4	435.7	45.9%
13.4	22.0	20.0	19.0	23.0	109.1%
5.0	5.0	7.0	8.5	8.0	-10.8%
7.0	4.0	4.0	4.0	4.0	0.0%
25.4	31.0	31.0	31.5	35.0	46.0%
55.0	38.3	38.9	32.3	39.6	41.4%
47.1	45.3	54.4	52.5	50.7	-2.5%
27.9	28.9	27.9	21.0	26.4	-22.5%
18.0	16.3	16.2	19.6	29.0	-18.4%
148.0	128.9	137.4	125.5	145.6	-2.6%
568.8	561.5	559.0	599.4	639.9	29.7%

Schedule 20
Southeast Polk Community School District

Operating Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Enrollment (1)	Operating Expenditures (2)	Cost Per Pupil	Percentage Change
1997	3,940	\$ 22,864,948	\$ 5,803	2.80%
1998	4,002	24,674,329	6,165	6.24%
1999	4,002	26,136,282	6,531	5.92%
2000	4,186	27,933,573	6,673	2.18%
2001	4,149	30,876,058	7,442	11.52%
2002	4,266	32,164,986	7,540	1.32%
2003	4,402	34,263,443	7,784	3.23%
2004	4,562	37,422,226	8,203	5.39%
2005	4,780	40,031,699	8,375	2.09%
2006	4,990	42,122,223	8,441	0.79%

Source: School District financial records and Iowa Department of Education.

Notes: N/A = not available.

(1) Average daily membership

(2) Operating expenditures are total governmental expenditures less debt service and capital outlays.

Expenses	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free or Reduced-Priced Meals
N/A	N/A	N/A	298.50	13.20	N/A
N/A	N/A	N/A	295.00	13.57	N/A
N/A	N/A	N/A	312.00	12.83	N/A
N/A	N/A	N/A	319.00	13.12	15.70%
N/A	N/A	N/A	327.50	12.67	15.10%
N/A	N/A	N/A	371.40	11.49	15.40%
\$ 39,249,889	\$ 8,916	N/A	377.65	11.66	17.30%
41,206,905	9,033	1.30%	366.55	12.45	18.10%
44,203,684	9,248	2.38%	415.43	11.51	18.60%
48,120,043	9,643	4.28%	435.65	11.45	19.80%

Schedule 21
Southeast Polk Community School District

School Building Information
Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	1997	1998	1999	2000	2001
Elementary:					
Altoona (1939)					
Square feet	44,425	44,425	44,425	44,425	44,425
Capacity*	424	424	424	424	424
Enrollment	380	365	389	388	389
Centennial (1968)					
Square feet	36,560	36,560	36,560	44,135	44,135
Capacity	370	370	370	446	446
Enrollment	381	391	393	426	446
Clay (2006)					
Square feet	N/A	N/A	N/A	N/A	N/A
Capacity	N/A	N/A	N/A	N/A	N/A
Enrollment	N/A	N/A	N/A	N/A	N/A
Delaware (1951)					
Square feet	29,200	29,200	29,200	29,200	43,418
Capacity	269	269	269	269	399
Enrollment	293	303	336	309	347
Four Mile (1966)					
Square feet	31,050	31,050	31,050	41,700	41,700
Capacity	340	340	340	456	456
Enrollment	259	332	352	424	440
Mitchellville (1925)					
Square feet	21,805	21,805	21,805	21,805	21,805
Capacity	256	256	256	256	256
Enrollment	203	208	206	188	172
Runnells (2002)					
Square feet**	16,400	16,400	16,400	16,400	16,400
Capacity	N/A	N/A	N/A	N/A	N/A
Enrollment	162	165	163	162	158
Willowbrook (1991)					
Square feet	56,588	56,588	56,588	56,588	56,588
Capacity	630	630	630	630	630
Enrollment	522	503	511	514	497
Harbor (1997)					
Square feet	4,538	4,538	4,538	4,538	4,538
Capacity	454	454	454	454	454
Enrollment	19	52	47	46	56
Junior High:					
Southeast Polk Junior High (1992)					
Square feet	89,791	89,791	89,791	89,791	89,791
Capacity	950	950	950	950	950
Enrollment	693	682	668	679	661

Fiscal Year				
2002	2003	2004	2005	2006
44,425	44,425	44,425	66,059	66,059
424	424	424	630	630
388	392	385	377	435
44,135	44,135	62,278	62,278	62,278
446	446	630	630	630
490	513	516	542	547
N/A	N/A	N/A	N/A	66,138
N/A	N/A	N/A	N/A	840
N/A	N/A	N/A	N/A	N/A
43,418	43,418	43,418	43,418	68,509
399	399	399	399	630
390	404	436	462	472
41,700	41,700	57,617	57,617	57,617
456	456	630	630	630
457	487	518	558	577
21,805	21,805	35,774	35,774	35,774
256	256	420	420	420
180	187	215	208	211
31,949	31,949	31,949	31,949	42,989
210	210	210	210	210
168	177	179	196	195
56,588	56,588	56,588	56,588	56,588
630	630	630	630	630
511	493	500	493	527
4,538	4,538	4,538	4,538	4,538
454	454	454	454	454
59	64	69	42	39
89,791	89,791	89,791	89,791	89,791
950	950	950	950	950
690	803	820	823	862

Schedule 21
Southeast Polk Community School District

School Building Information(Continued)
Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year				
	1997	1998	1999	2000	2001
Senior High:					
Southeast Polk Senior High School (1963)					
Square feet	217,350	217,350	217,350	217,350	217,350
Capacity	1,800	1,800	1,800	1,800	1,800
Enrollment	1,350	1,364	1,381	1,385	1,317
Other District Facilities:					
Bus Garage (2002)					
Square feet***	5,000	5,000	5,000	5,000	16,300
District Office (1977)					
Square Feet	8,220	8,220	8,220	8,220	8,220

Source: District records

Notes:

* Capacity figures are based on 30 pupils per classroom

** Runnells Elementary was replaced in 2001; open for 2002 school year

***Bus Garage was replaced in 2001

Fiscal Year				
2002	2003	2004	2005	2006
217,350	217,350	217,350	217,350	217,350
1,800	1,800	1,800	1,800	1,800
1,326	1,299	1,350	1,495	1,572
16,300	16,300	16,300	16,300	16,300
8,220	8,220	8,220	8,220	8,220

Schedule 22
Southeast Polk Community School District

Certified Staff Salaries
Last Ten Fiscal Years
(Unaudited)

School Year	Minimum	Maximum	Average
2005-2006	\$32,752	\$54,587	\$43,670
2004-2005	31,612	52,687	42,150
2003-2004	30,837	51,395	41,116
2002-2003	30,068	50,112	40,090
2001-2002	29,161	48,602	38,882
2000-2001	24,950	47,405	36,178
1999-2000	24,250	46,075	35,163
1998-1999	23,600	44,840	34,220
1997-1998	22,875	43,462	33,169
1996-1997	21,400	40,660	31,030

Source: School District financial records.

Notes: - The above table does not include extra duty pay.
 - Average salary includes supplemental Phase payments

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

GRANTOR/PROGRAM	CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
FUND FOR THE IMPROVEMENT OF EDUCATION			
(CAROL M. WHITE PHYSICAL EDUCATION PROGRAM)	84.215	FY 06	\$ <u>25,411</u>
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION	10.550	FY 06	<u>94,682</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 06	59,828
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 06	438,080
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 06	<u>948</u>
			<u>498,856</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	6101-G	<u>147,903</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 06	<u>11,595</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 05	8,698
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 06	<u>97,224</u>
			<u>105,922</u>
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES	84.369	FY 05	4,249
GRANTS FOR STATE ASSESSMENT AND RELATED ACTIVITIES	84.369	FY 06	<u>29,460</u>
			<u>33,709</u>
COMPREHENSIVE SCHOOL REFORM DEMONSTRATION	84.332	FY 05	<u>37,055</u>
ADVANCE PLACEMENT PROGRAM	84.330	FY 06	<u>416</u>

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

GRANTOR/PROGRAM	CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	PROGRAM EXPENDITURES
INDIRECT(CONTINUED):			
DEPARTMENT OF EDUCATION(CONTINUED):			
IOWA DEPARTMENT OF EDUCATION(CONTINUED):			
SAFE AND DRUG-FREE SCHOOLS -			
COMMUNITIES - STATES GRANTS	84.186	FY 05	175
SAFE AND DRUG-FREE SCHOOLS -			
COMMUNITIES - STATES GRANTS	84.186	FY 06	10,036
			10,211
FUND FOR THE IMPROVEMENT OF EDUCATION			
(FIRE SAFETY GRANT)	84.215	FY 04	90,197
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS			
TO STATES	84.048	FY 06	37,931
SPECIAL EDUCATION - GRANTS TO			
STATES(PART B)	84.027	FY 06	254,272
DEPARTMENT OF LABOR:			
IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT			
LEARN AND SERVE AMERICA - SCHOOLS AND			
COMMUNITY BASED PROGRAMS (COMSERV)	94.004	FY 06	4,500
DEPARTMENT OF DEFENSE:			
FLOOD CONTROL	12.106	FY 06	3,788
			\$ 1,356,448

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Southeast Polk Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Southeast Polk Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Southeast Polk Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 20, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Southeast Polk Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Southeast Polk Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southeast Polk Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under

Governmental Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Southeast Polk Community School District and other parties to whom Southeast Polk Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Southeast Polk Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

October 20, 2006

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**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Board of Education of
Southeast Polk Community School District

Compliance

We have audited the compliance of the Southeast Polk Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The Southeast Polk Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Southeast Polk Community School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standard, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Southeast Polk Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Southeast Polk Community School District's compliance with those requirements.

In our opinion, the Southeast Polk Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining an effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Southeast Polk Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Southeast Polk Community School District and other parties to whom Southeast Polk Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

October 20, 2006

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

Part 1: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Cluster Programs:
 - CFDA Number 84.553 - School Breakfast Program
 - CFDA Number 84.555 - National School Lunch Program
 - CFDA Number 84.556 - Special Milk Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Southeast Polk Community School District qualified as a low-risk auditee.

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-06 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - The District should submit the checks outstanding over a year to the State of Iowa as unclaimed property.

Response - We will comply.

Conclusion - Response accepted.

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

**SOUTHEAST POLK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

Part IV: Statutory Findings Related to Required Statutory Reporting

IV-A-06 Certified Budget - District disbursements for the year ended June 30, 2006 exceeded the amount budgeted in the support services, non-instructional programs and other expenditures functions.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will amend the budget to the correct functional areas in the future to ensure the District does not exceed the amounts budgeted.

Conclusion - Response accepted.

IV-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-06 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Karen Haines, Superintendent Secretary, Daughter of Robert Gulling	Miscellaneous maintenance	\$240
Jeri Sanborn, Counselor Spouse of Bruce Sanborn	Services	\$21,914
Chris English, Bus Driver Spouse is contractor with Air Con	Services	\$142,448
Phil Cronin, Teacher Owns Power Clean of Central Iowa	Equipment Repair	\$50

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the father and the spouses of the employees do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1992, the above transactions with the teacher do not appear to represent a conflict of interest.

IV-E-06 Bond Coverage - Surety bond coverage of district officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will provide the minutes within the time period.

Conclusion - Response accepted.

IV-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-J-06 Financial Condition - We noted during our audit that the District had a deficit undesignated unreserved fund balance of \$120,515 in the General Fund.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We will monitor this fund and investigate any available options to eliminate the deficit.

Conclusion - Response accepted.

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